mavi

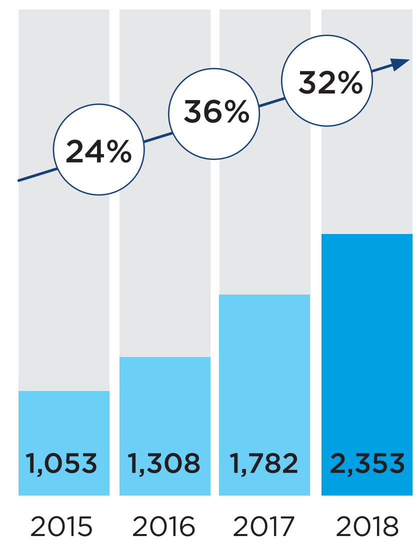
ANNUAL REPORT 2018

CONTENTS

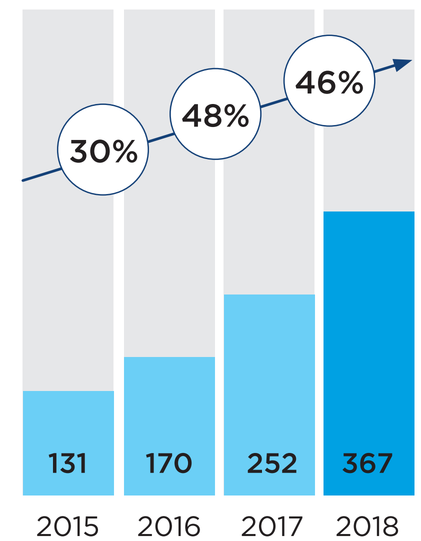
1. KEY FINANCIAL METRICS 2018

Financial Performance

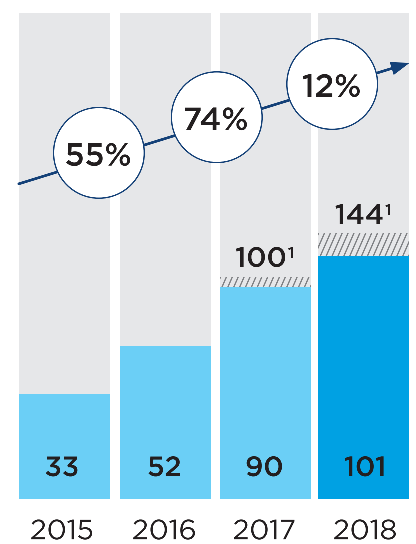
REVENUE (million TL)



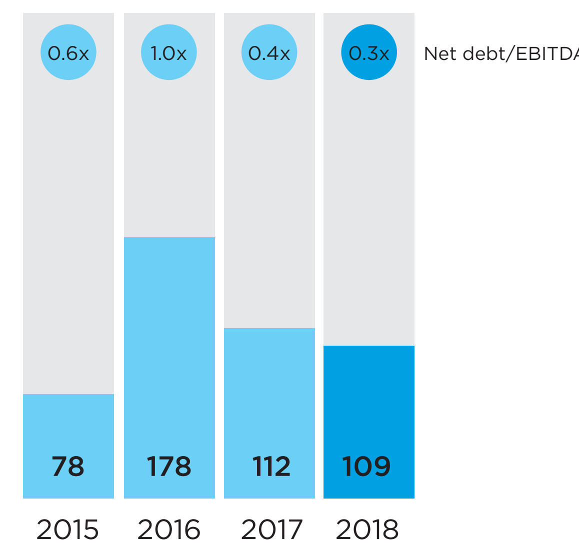
EBITDA (million TL)



NET INCOME (million TL)



NET DEBT (million TL)



[1] Net income in would have improved 44% in FY18 excluding the fx gain/loss impact

CONSOLIDATED GLOBAL FIGURES

Turkey
Retail stores: **300**
Average store size: **498**
Franchise stores: **72**
Wholesale doors: **c.450**
Employee: **3,588**

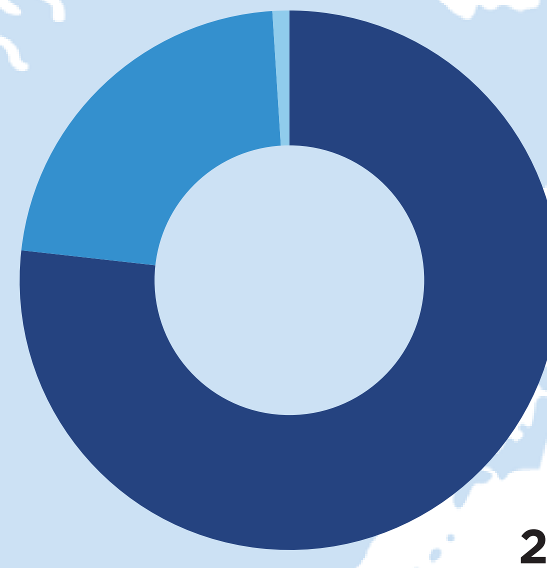
Europe
Retail stores: **3**
Wholesale doors: **c.1,700**
Employee: **85**

US
Wholesale doors: **c.1,350**
Employee: **62**

Canada
Retail stores: **3**
Wholesale doors: **c.1,650**
Employee: **64**

Russia
Retail stores: **14**
Franchise stores: **16**
Wholesale doors: **c.122**
Employee: **112**

Rest of the World
Franchise stores: **19**
Wholesale doors: **27**



2018 Consolidated Channel Shares
2018 Consolidated Channel Growth

372
Mono-Brand Stores
Turkey

55
Mono-Brand Stores
International

c.5,500
Points of Sale
Global

CONSOLIDATED GLOBAL HIGHLIGHTS

2.4 billion TL revenue. **81%** Turkey, **19%** International revenue

35 countries **427** monobrand stores **c.5,500** points of sale

13 net new store openings **29%** retail revenue growth

103% e-com revenue growth

33% wholesale revenue growth

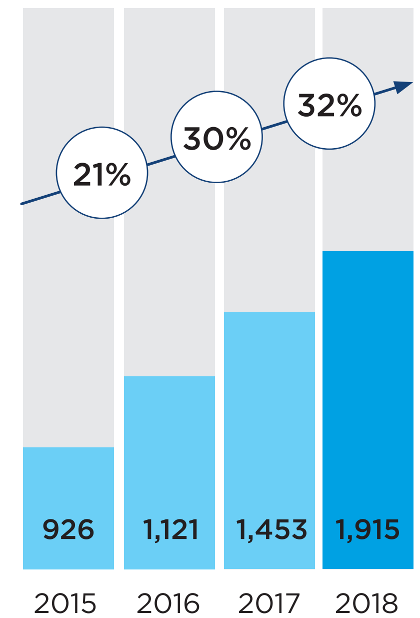
3,911 employees

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

c.9.6 million denim sold globally

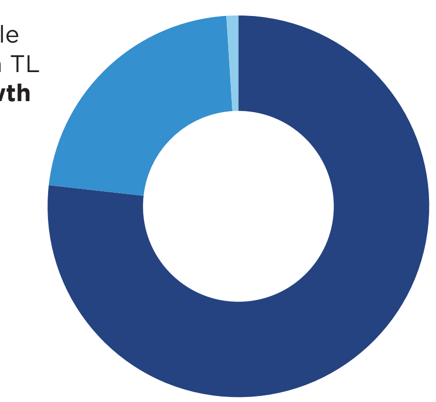
MAVI TURKEY PERFORMANCE

REVENUE (million TL)



E-Com
43 million TL
92% Growth

Wholesale
401 million TL
35% Growth



Retail
1,5 billion TL
30% Growth

2018 TR Channel Shares
2018 TR Channel Growth

300 retail, **72** franchise stores, **c.450** wholesale doors

13 net store openings

149k sqm total selling space, avarage **498** sqm per store

22.5% like for like (LFL) growth

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

7.3 milyon loyalty card holders
5.3m active for the last 2 years
1.1m new customers acquired in Turkey

+20%[1] Market Share

1 Euromonitor International, March 2019.

LETTER FROM THE CHAIRMAN

Ersin Akarlılar

We have already left behind the second year since Mavi's initial public offering. In line with our sustainable strategies in Turkey and the international markets, we continued to demonstrate strong performance across all retail, wholesale and e-commerce channels. 2018 was a year of macroeconomic fluctuations on a global and regional scale with significant impact on the real economy. With our leading position in the Turkish denim market, the driving force of our brand, our strong financial structure and the customers' continued interest in Mavi, we were able to close the year with growth beyond our targets. The financial results of a challenging year like 2018 confirm the efficiency of the strong brand positioning that Mavi has maintained for 27 years and its strategy of being a company that grows with its brand values: Our consolidated revenues increased 32 percent year on year and reached TL 2.4 billion as we posted TL 101 million in net profit with a 12 percent increase. High quality, accurate pricing and effective inventory and cash flow management resulted in a 46 percent increase in EBITDA. Meanwhile, EBITDA margin rose from 14.1 percent to 15.6 percent.

We were able to preserve our financial structure thanks to the risk policies implemented by our competent management team and the swift and correct decisions we made by considering long-term goals. Operational efficiency, precise planning and making decisions by constantly updating investments certainly played an important role in these results. We focused on the highest sales potential while opening new stores and expanded the most efficient ones among the existing stores. Building on the positive effect of our international operations that yield hard currency became our priority as our global e-commerce revenues increased by 103 percent and foreign e-commerce revenues by 118 percent.

At Mavi, we have an established corporate risk management system, led by the Early Detection of Risk Committee and coordinated by the Internal Audit Department, which hit the ground running from the moment we formed it last year. Monitoring the major risks with action plans was among the top priorities of the Board throughout the year.

The innovations that we introduced in our denim and lifestyle collections brought positive results in both men's and women's as we sold 9.6 million pairs of jeans worldwide in 2018. We continued to effectively implement our strategy of offering the right product at the right price, which enabled us to improve customer loyalty and basket size, allowing us to achieve 22.5 percent LFL growth. The planning activities that we carried out across all functions with a flexible supply chain and effective inventory management also lead to improved sell-through and markdown performance.

In all the projects that we launched in 2018 and across all communication channels, we aimed to instill a new vision in our customers and our team and to add value and newness to their lives. Aware of our responsibilities toward humans, nature and the environment, we acted together with the dynamic Turkish youth. Being one of the most preferred employers for women in Turkey is as exciting as the several awards we received. Becoming the best brand of the textiles and apparel industry in the "Robust Brands" survey of Marketing Türkiye based on quality and resilience measurements, winning the best IPO award by Emea Finance, and being recognized as the most honored company by Institutional Investor, were developments that boosted our motivation. Mavi closed 2018 at 101st place in the apparel category according to a survey by Turkish Exporters Assembly, ranking 134th in the largest enterprises in Turkey by Fortune and number one among denim brands.

We will continue to maintain omnichannel communications that constantly keep brand excitement relevant by managing growth accurately. We will prioritize technology and human resource investments that ensure concurrent development of retail and e-commerce in order to further perfect the shopping experience of our customers. We are delighted to share this vision with our local and international teams that collaborate increasingly closer to reach common goals.

In a nutshell, Mavi begins 2019 and continues on its path of strengthening its image as a trusted and consistent company with integrity and a brand that people feel close to and find something of their own at every touchpoint that bears its logo, from the products introduced to the market to the services provided to the customer. This path entails fulfilling the responsibilities of being a lasting leader in denim as its main category, and requires Mavi to always stay relevant, reflect the present and be aware of how to adapt to each and every innovation and to remain an exemplary company. I believe that we will continue to achieve this by staying loyal to our customers without waiting for their loyalty, by listening to them more closely using every possible means and by acting in line with the "Happiest Mavi Customer" principle. The fact that our customers' trust in Mavi stayed strong in 2018 and that we attained our target of acquiring one million new customers each year also supports this belief.

I would like to thank our team, customers, shareholders, dealers and business partners once again for making our success sustainable across Mavi's strong and committed brand journey of 27 years and ensuring that we always move forward together.

LETTER FROM THE CEO

Cüneyt Yavuz

2018 was a very challenging year, especially from a macroeconomic perspective in Turkey, and yet once again it proved to be a period when Mavi reached set out targets, strengthened its brand position and demonstrated its competitive advantage with its strong financial and operational structure. Mavi's relentless passion for quality in every aspect of the business and its extraordinary customer engagement continue to remain the key attributes of its brand identity in the minds and hearts of our customers, ensuring that we maintain our healthy business performance. At the beginning of the year, we reiterated our commitment to achieving sustainable profitable growth as our key promise. Accordingly, we followed strategies to further strengthen the brand's position in denim expertise and leadership. Not only did we continue to win new customers and expand product category sales, but also we enhanced our competencies to become a brand that grows with the new generation by capturing business through a rigorous digital transformation roadmap. Ultimately, during this period we are most proud to have continued our franchise growth across all the retail, wholesale and e-commerce channels both in Turkey and international markets. Our consolidated revenues grew by 32 percent to TL 2.4 billion. Our top line growth translated favorably on our profitability with 46 percent growth, delivering TL 367 million in EBITDA and with 12 percent growth delivering TL 101 million in net profit. We ended the year with a net debt to EBITDA ratio of 0.3(x), a solid indicator of a healthy balance sheet.

Mavi is starting its 2019 fiscal year operating 427 monobrand stores and 5,500 points of sale across 35 countries, particularly in the US, Canada, European countries, Russia and Australia, and will once again strive to deliver profitable growth in Turkey as well as in all the international markets and the digital channels.

22.5% LFL in Turkey retail with strong brand awareness, high quality and a customer-focused approach
Our strategy of offering the right product at the right price continued to enable us to improve customer loyalty, traffic and basket size despite economic headwinds, and we delivered a robust 22.5 percent LFL growth in Turkey retail. With the innovations we introduced in the denim and lifestyle collections, we captured positive sales figures in both men's and women's categories. 12 percent of our LFL growth figure was the result of an increased number of transactions and 9.4 percent was due to higher basket size.

Another key priority when we started 2018 was to increase our e-commerce volume in the markets where we operate and to achieve positive returns on our investments through effective management of this emerging channel. The fact that consolidated e-commerce sales increased by 103 percent and e-commerce revenues in international markets grew by 118 percent is a positive testament to our efforts. We continue to look forward to this momentum across all the markets in which we operate by offering fast and high quality service.

Focusing on decision making processes to improve operational efficiency, diligent planning and revised investments adapting to externalities all played a role in Mavi's solid 2018 financial results. The importance of developing and retaining a competent management team and maintaining comprehensive risk policies based on data has once again been proven and these will continue to enable us to manage long-term targets in the coming months. Having the capability to respond to unexpected spikes in capital and production costs allowed us to achieve our commercial targets. Our flexible supply chain and efficient inventory management capabilities increased our sell-through performance. Despite the foreign currency rate fluctuations and rising inflation rates in Turkey, especially in the second half of the year, our margins continued to improve and we were even able to exceed our stated guidance. In this period, we also supported the government actions as part of the "total fight with inflation" program. Our annual gross profit increased by 33 percent, resulting in a margin increase of 40 basis points year on year. We leveraged the benefits of having a local sourcing capability of 80 percent and managed a very fluid capacity planning with suppliers. It is worth noting that internal audit mechanisms that we continued to strengthen with a responsible procurement approach proved to be highly productive in maintaining our targeted product quality levels.

With the looming economic uncertainty in Turkey, one of the changes we had to bring to the table was in the area of new store openings. In 2018, we focused on opening and expanding stores that yielded the utmost return. We ended the year by opening 13 new stores and expanding 10 stores in Turkey. At the same time, we pushed through operational efficiencies and tougher demands to reduce lease costs, leading to an increase of 150 basis points in the EBITDA margin, yielding 15.6 percent.

Continued growth with the young generation: 1.1 million new customers
With our CRM program remaining at the core of our brand strategy, we reached 7.3 million members in total. The fact that 65 percent of the 1.1 million new customers we acquired in 2018 are under the age of 35 shows that we are able to reflect the dynamism that the young population of Turkey expects on brand communications. With the number of active members reaching 5.3 million people over the last two years, the program has not only become a key aspect of our growth strategy but also improved our decision-making capabilities significantly.

9.6 million pairs of jeans sold globally
As a pioneer of denim in Turkey, Mavi ranked among the top four brands in men's and women's apparel in 2018. This year, we sold 9.6 million pairs of jeans worldwide. Denim products accounted for 44 percent of total sales and lifestyle products for 56 percent as we delivered 24 percent growth in denim, 35 percent in lifestyle, and 32 percent in the accessories categories. We achieved this sales performance by developing new and innovative collections based on customer segments and focusing on products with high purchasing frequency. Our denim expertise enabled us to introduce the latest trends with a comprehensive variety of models and washes in our collections and to come to the forefront versus the competition. In 2018, we truly benefited from the advantage of our know-how in terms of product development for different markets.

Working with Serenay Sarıkaya and Kıvanç Tatlıtuğ, two of the most influential stars in Turkey, as our brand ambassadors, enabled us to create heightened awareness by communicating our marketing messages to our consumers most effectively. The Serenay Sarıkaya X Mavi Icon collection, consisting of premium jeans and other high-end products added to Mavi's perception as a fashion brand in 2018. This collection brought in new customers, played a key role in increasing purchasing frequency among existing female customers and added high-margin products to the baskets. With the Gold and TENCEL™ denim products that were launched, we promoted a luxurious, soft and comfortable look and reached urban and working women as our target customers. We extended our collaboration with TENCEL™ globally and increased our profitability with the Super Gold and Super Move denim collections, especially in the North American market. We enhanced the Mavi Black collection with exclusively developed accessories and designs. With the new value proposition that we offered, we were able to attain new and higher price points. In particular, the black and grey denim shades that we introduced created an advantage for us in men's denim versus the competition. Mavi also launched campus categories, which enabled us to attract new young customers. By diversifying at the intersection of trends with the strength of our brand, we broke sales records in t-shirts and sweatshirts with logos.

Skilled team, good management and the brand of the new generation
Pioneering change in the new digital age and retail will remain an essential part of Mavi's continued growth. This year, our priority will again be on growing across every sales channel and region with the same determination. The momentum brought on by the e-commerce platforms in particular is the biggest driver of the efficient and profitable growth trend in international markets. We will continue to acquire new customers, expand floor space in sales points, diversify product categories and deliver performance beyond expectations by leveraging our sustainable, consistent and market-wise capabilities in the most efficient manner.

I would like to express my gratitude to the entire Mavi team for making sure that this special brand, which grows, evolves and adds value to everyone that it touches, charges ahead toward its targets with confident steps. As we celebrate the 28th anniversary of Mavi in 2019, I look to the future with optimism, knowing that we will raise the bar even higher.

3. MAVI BRAND HIGHLIGHTS

Mavi, incorporated in Istanbul in 1991, today is recognized as a highly successful global lifestyle brand. With strong denim roots, Mavi has evolved into an international apparel and accessories brand. Synonymous with superior quality and the perfect fit positioning, Mavi sold 9.6m denim items globally in 2018 via its c.5,500 POS and 427 mono-brand stores.

Mavi runs an omni-channel model, selling its products through directly operated stores, wholesale (department stores, corner stores, online stores and franchisees) and its own online platform. The retail segment accounted 65.1% of sales in 2018, wholesale for 31.6% and own e-commerce for 3.3%. Mavi Turkey accounts for 81% total sales. Mavi's offer is strongly positioned for both women and men, with the denim category accounting for 44% and the lifestyle apparel category for 56% of its global sales.

Mavi's brand image translates into high quality and strong pricing power, and Mavi's products are positioned between the upper-end of the 'core' and the 'premium' section of the ready-to-wear market. Mavi has a unique brand position with fashion-savvy, young adult customers and the brand collaborates with top celebrities on its campaigns including Adriana Lima, Sara Sampaio, Barbara Palvin, Lucky Blue Smith, Elsa Hosk, Jordan Barrett, Romee Strijd globally and Kıvanç Tatlıtuğ and Serenay Sarıkaya in Turkey.

Customer data and product strategy are at the brand's core, with the extensive best-in-class loyalty program (Kartuş) of 7.3m cardholders. Kartuş loyalty card makes up the 80% of retail transactions in Turkey with approximately 5.3m members active for the last 2 years. Mavi acquired 1.1m new customers in 2018, consistent with its growth targets. With 3,911 employees globally, Mavi is regarded as an employer of choice.

4. MAVI STRATEGY AND BUSINESS OVERVIEW

Aspirational **denim centric lifestyle brand** with broad customer appeal

Product management focused on quality, customer and efficiency. Efficient supply chain with proximity to source.

Global multi-channel sales execution with strong **retail in Turkey**, international footprint and **online** as key growth drivers.

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

5. THE POWER OF BEING A 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, Turkey's best-loved lifestyle brand is globally recognized for high quality, premium-priced apparel for women and men, and particularly for world-class quality denim products.

- Mavi has strong pricing power and has successfully introduced new lines at the top end to drive growth and margins. 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. With strong denim roots, Mavi sold 9.6m denim items globally and c.2m denim items internationally in 2018.

- Mavi is present in 35 countries, 427 mono-brand shops, c.5,500 points of sale globally, reaching 372 mono-brand stores in Turkey. Sustainable growth is supported by the opening of 13 net new stores in Turkey, all with larger sales floor space, and expanding that of existing mono-brand shops.

- The brand has significant market share and powerful brand recognition in Turkey with a leading +20%[1] denim market share and the fourth[2] largest brand in women's and men's apparel in the apparel market. Mavi is #1 in Top of Mind Brand Awareness with Top of Mind Mavi is the preferred jeans brand across both women and men.

- Kartuş loyalty program with 7.3m cardholders with 5.3m active members for the last 2 years is recognized as best-in-class brand communication tool. Mavi acquired 1.1m new customers in Turkey in 2018.

- Global brand awareness with celebrities and fashion icons as loyal followers. The brand collaborates with top celebrities on its global and local campaigns.

- Mavi has a strong communication network through its digital presence with 3.3m global followers.

[1] Euromonitor International, March 2019
[2] Euromonitor International, March 2019

AWARDS & RECOGNITION TURKEY 2018

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

In the Fortune 500 survey, Mavi ranks 134th among the largest 500 enterprises in Turkey, and 1st among jeans brands (Fortune)

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

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

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

Emea Finance Awards - Best IPO: Mavi & İş Yatırım

Institutional Investor's EMEA Executive Team Survey 2018 – Mavi named one of the Most Honored Companies

Ranked 101st in the Top 1000 Exporters list of TIM (Turkish Exporters Assembly)

Ranked 41st in the "R&D 250" survey (Turkish Time)

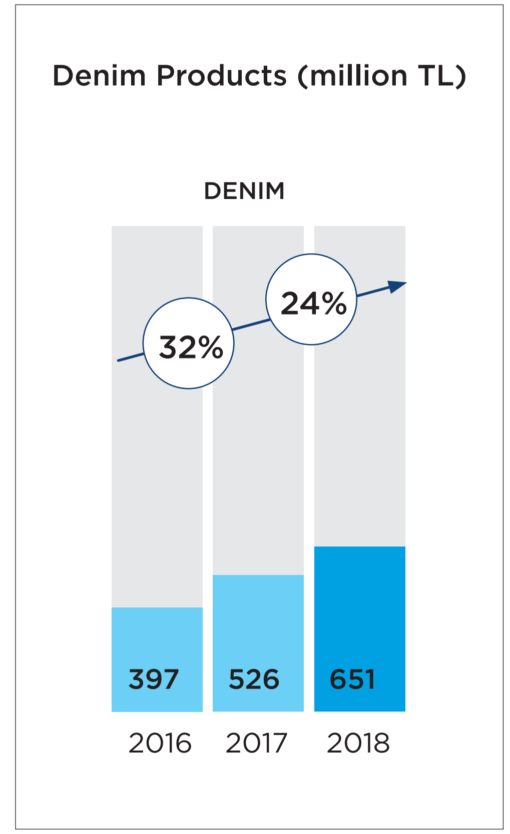
6. WORLD-CLASS PRODUCTS AND WELL-SEGMENTED RANGES

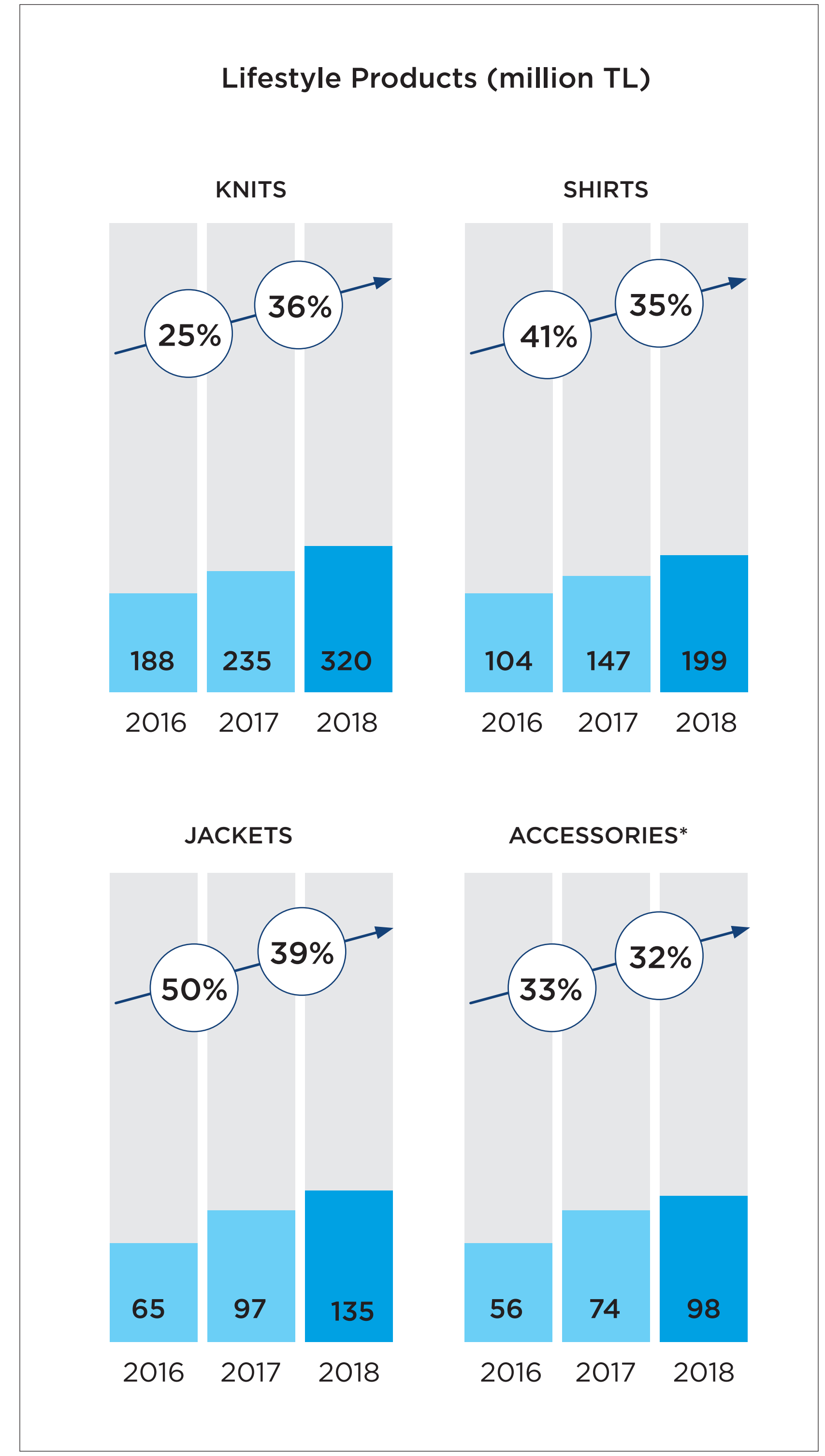
Mavi has built its success on products of superior quality and the Perfect Fit strategy, allowing the brand to understand and track the customer needs while offering high quality for great value. Mavi's products are positioned between the upper-end of the 'core' and the 'premium' section of the casual wear market. A diverse design team that feels the market and a P&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.

In 2018, both denim and lifestyle categories delivered profitable growth, and made strong progress in driving efficiency through effective inventory management and open-to-buy sourcing.

- Well-segmented ranges tailored to both women and men and broad product offering across denim bottoms and lifestyle products
- Perfect Fit product strategy, customised to the taste of local markets
- Uncompromised quality, using the best fabrics with innovation and manufacturing techniques
- Flexible supply chain that's able to react in real-time to customer trends with a well-balanced core and fashion product portfolio.
- Perfectly positioned at the center of the "Turkish ecosystem", the top-quality global textile market. Mavi relies on c. 80% supply from Turkey, the top-quality global textile supplier

Growing significantly in each category





GROWING STRONGLY IN DENIM AND LIFESTYLE CATEGORIES

Turkey retail only.
*Including shoes.

Turkey's Iconic Denim Lifestyle Brand

Perfect Fit
This year, 9.6 million pairs of jeans sold globally while denim products accounted for 44 percent of all sales. As Turkey's leading denim brand, Mavi focuses on the right product segments that new and young 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's broad denim assortment for all markets includes more than 50 fits models 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 2018, 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 team accelerated the process 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.

New products, new technology and strong pricing with brand power

With global brand positioning in the upper high-end and premium segments and strong pricing, the brand continued to introduce new lines in 2018 at the top-end to drive growth and margins.

- As a brand known for its denim expertise in its markets and comes to the forefront among the competition with model/wash variety, Mavi had an impact on both introducing trends into the collections rapidly and also developing products to meet the needs of different countries.

- The Serenay Sarıkaya X Mavi Icon collection, offered together with premium jeans and featuring elevated styles, brought a new fashion awareness about Mavi in 2018. This collection helped to acquire new customers while increasing the purchasing frequency of existing female customers and adding high-margin products to their baskets.

- In women's, the denim structure, managed according to different customer segments, was further strengthened. With the newly introduced Gold and TENCEL™ product lines, luxurious, soft and comfortable looks were highlighted as sales to the target audience of urban and working women increased. The collaboration with TENCEL™ continued with the Super Gold and Super Move denim collections globally, with higher profitability, particularly in the North American market.

- The Mavi Black collection is enriched with exclusively developed accessories and designs, making it possible to achieve new and top price points due to product differentiation. Especially the black and gray denim options offered to the market delivered competitive advantage in men's denim.

- In the back to school period when young people are targeted, Campus aisles were incorporated into stores and e-commerce as the jeans & sweatshirts trend influenced by the 90s gained popularity. 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.

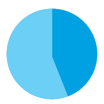
- The logo t-shirts and sweatshirts designed with strength of the Mavi brand and supported by the trend achieved record sales growth.

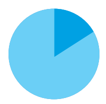
PRODUCT PORTFOLIO AND CATEGORY SHARES

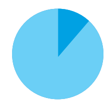
37% Women / 63% Men (share)

44% Denim / 56% Lifestyle (share)

Product Category Shares in Sales

44%

Denim

22%

Knits

14%

Shirts

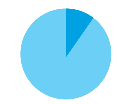
WOMEN

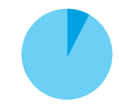


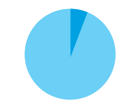
MEN

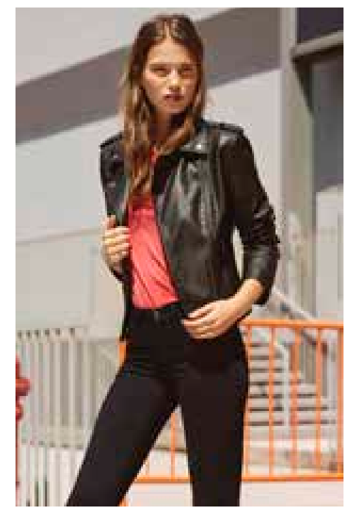


Product Category Shares in Sales

9%

Jackets

7%

Accessories
Included shoes

4%

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

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 denim production.

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

Mavi Relies on c. 80% Supply from Turkey, the Top Quality Global Textile Supplier

Mavi sources approximately 80 percent 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 the 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 percent 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.

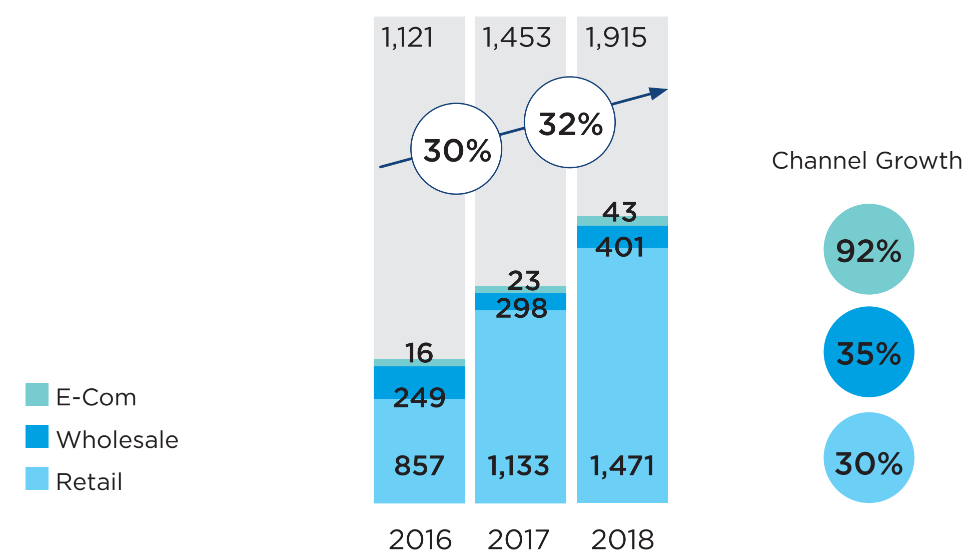
7. MULTI-CHANNEL EXECUTION WITH RETAIL, INTERNATIONAL AND ONLINE AS KEY GROWTH DRIVERS

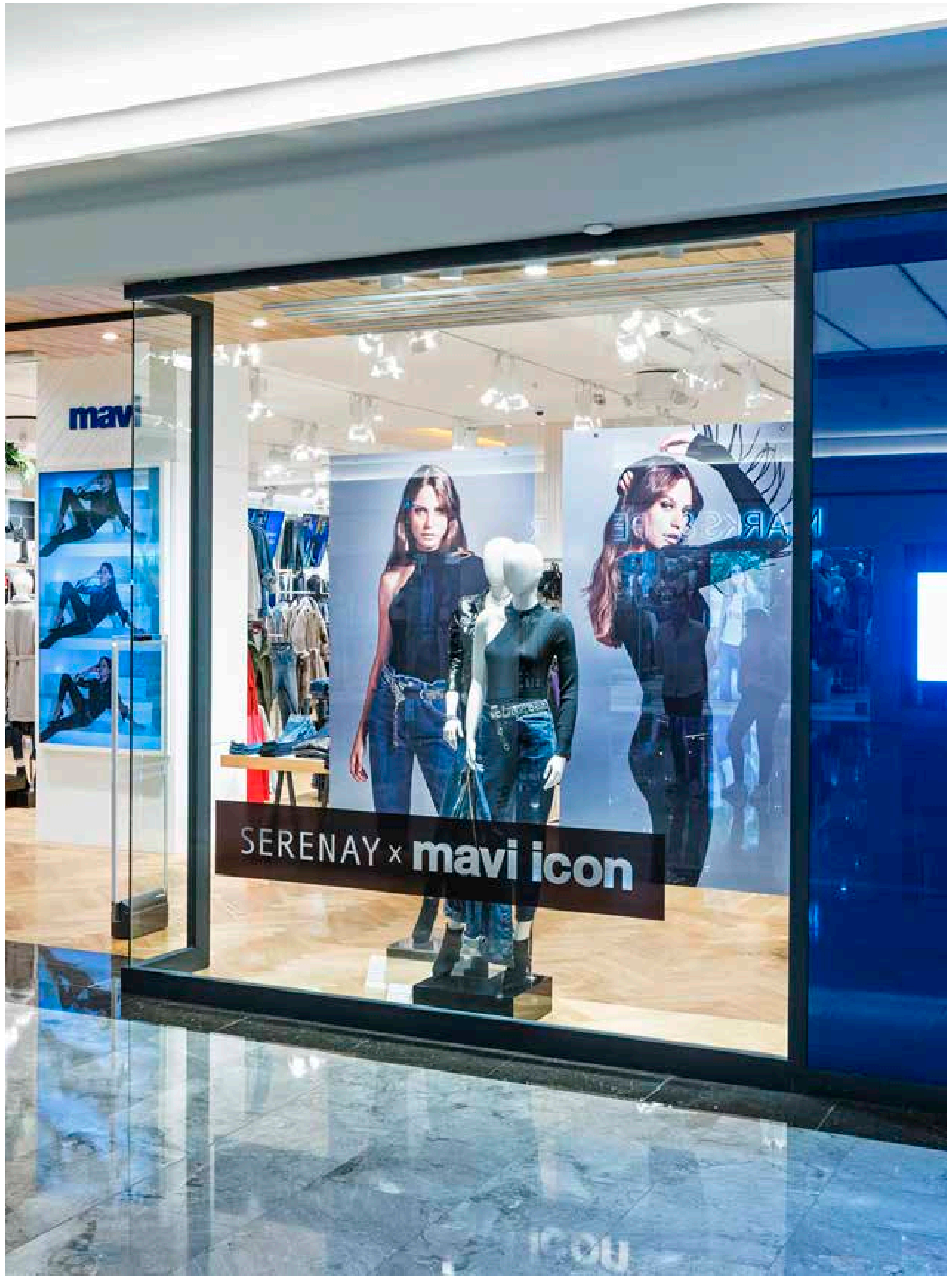
Sustainable and Efficient Growth in Turkey

Mavi, with a country-wide retail network consisting of 372 mono-brand stores, including 300 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 2018. 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.

In addition to the opening of net 13 new stores in 2018 in Turkey, the increased e-commerce capacity driven by digitalization investments has grown online sales 92%. Increased transaction and ticket size also played an important role in growing like-for-like store sales 22.5% in 2018.

TURKEY REVENUE (million TL)





Expanding Retail and New Stores

In 2018:

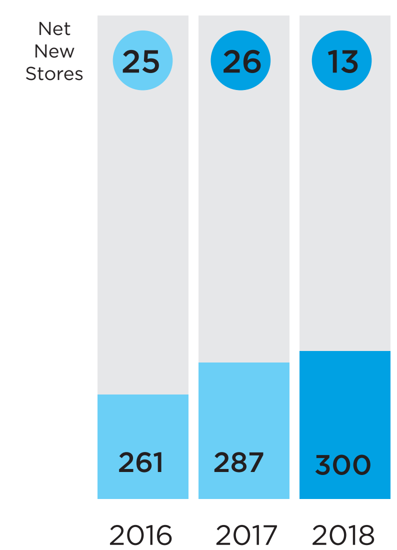
- Net retail space in total 300 company-operated stores reached approximately 149.3K sqm with average store size of 498 sqm.
- Net 13 new stores, with larger sales floor space opened through sustainable growth strategy across the retail network.
- 10 existing stores were expanded as Mavi continues its 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.

300 retail stores

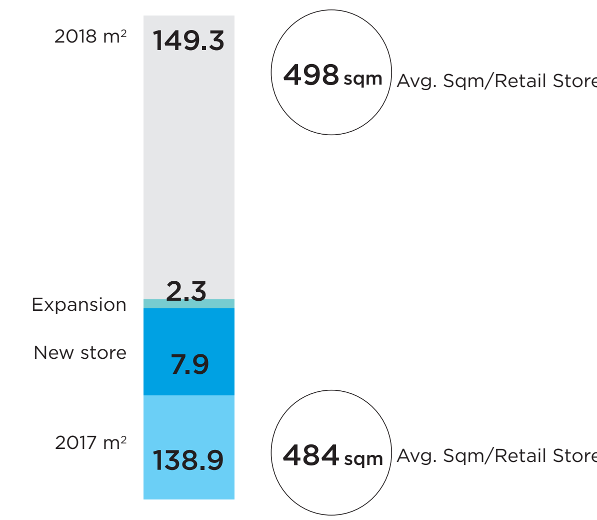
13 net new stores

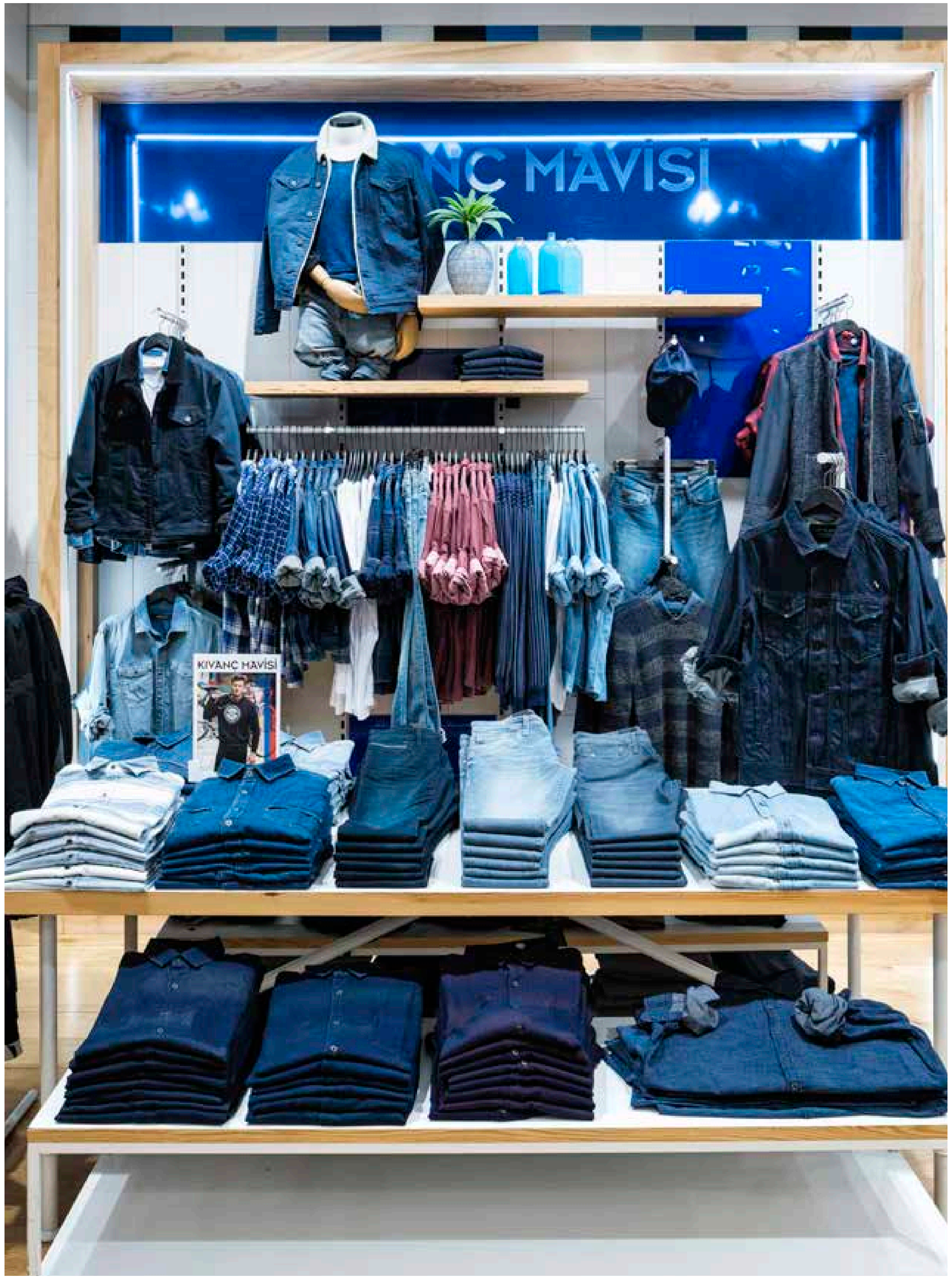
149K sqms total sales floor area

RETAIL STORES

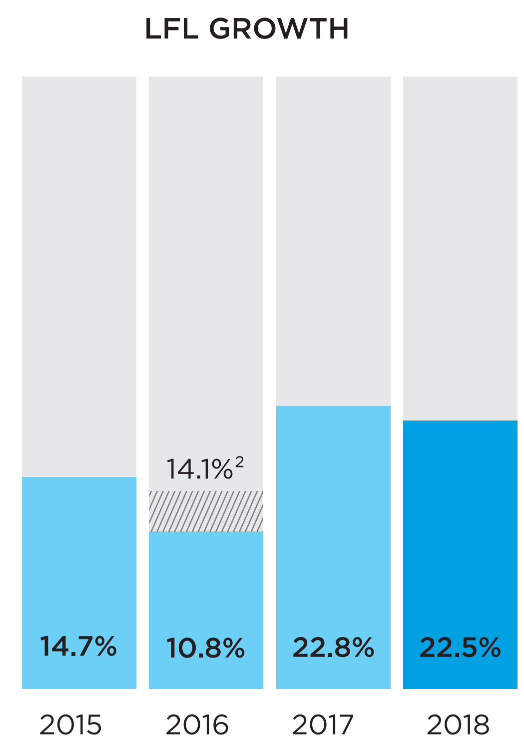


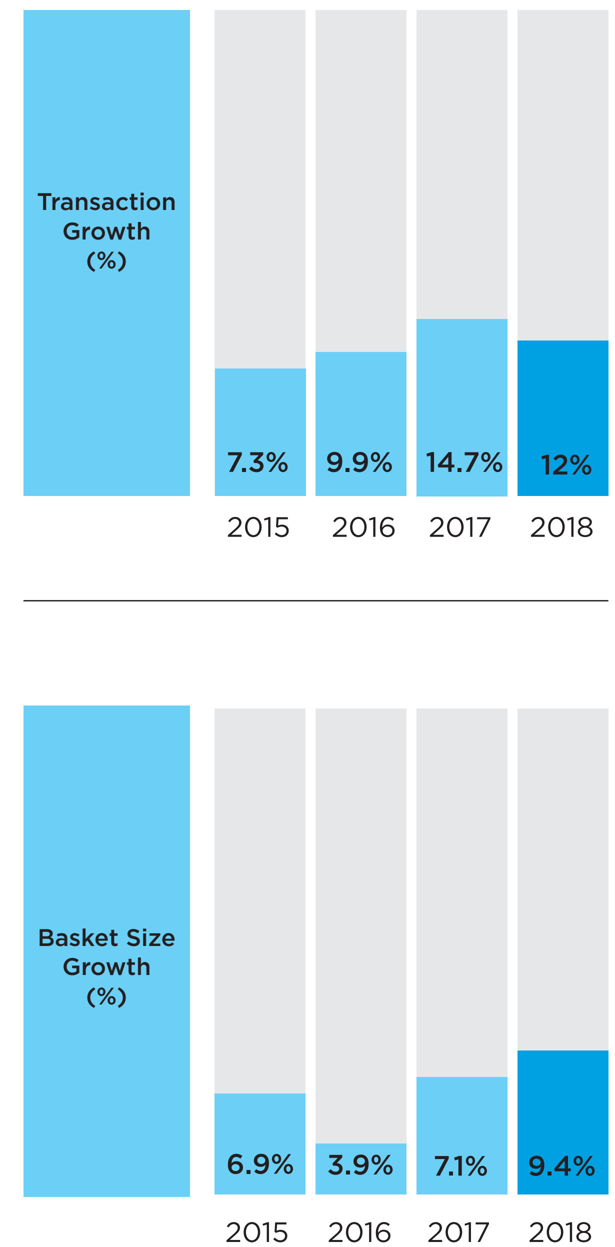
GROSS SELLING SPACE IN TURKEY (K Sqm)





High LFL[1] growth with increased transaction and basket size





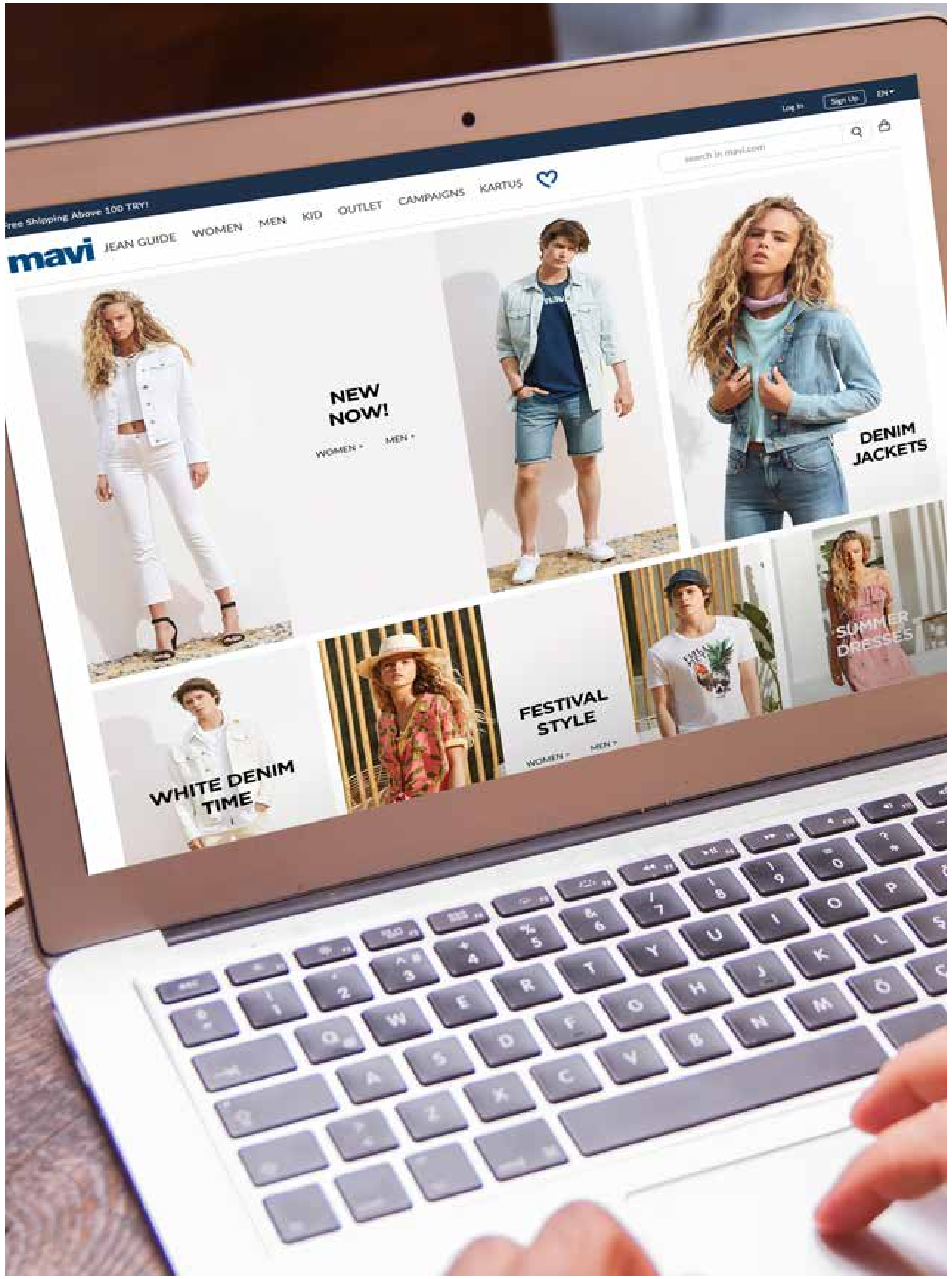
Turkey retail sales only.

[1] Growth in same stores compared to the previous period.
[2] 2016 adjusted LFL sales (excluding July performance of all Turkey retail stores, impacted by the extraordinary events and the performance of the Beyoğlu stores). The unadjusted LFL for 2016 was 10.8%.

Complementary Wholesale Growth and Growing Multi-Channel Execution

Mavi's wholesale business in Turkey is carried out at approximately 600 doors across franchises, department stores and corners. Accounting for 21% of Turkish revenue in 2018, these doors continue to grow profitably and include 72 franchise stores under long-term contracts with similar product assortment like in retail stores, 332 corner and 180 department stores that sell Mavi products.

c. 600 point of sale	**72** franchise stores	**332** corner stores	**180** department stores



Investing in Online Platform as a Priority Growth Strategy

Mavi's revenues in online channels, with strong growth potential in global markets and in Turkey increased 103%. Mavi continues to invest in online platform with its own operated mavi.com e-commerce site in Turkey, the US, Canada and Germany as well as through strong business partners.

Mavi.com Turkey, launched in 2013, increased its revenues 92%, accounting for 2.3% of sales in Turkey. Priority of the in-house e-commerce operations is to provide fast, quality and innovative customer experience with web development, online marketing and category management departments.

Mavi.com, positioned as Mavi's largest store in terms of product variety, has been influential in enhancing the fashion perception and increasing frequency with a broad range of styles and visual impact. Mavi.com attracts a customer segment that is younger and has a higher female customer ratio than its offline channels.

Mavi aims at offering a seamless and integrated customer experience across offline and online channels. Integration with the offline CRM program from the very beginning has enabled Mavi.com to distinguish itself from its competitors in terms of the benefits to the customers and wealth of data created.

2.3% Mavi- owned online channels	**92%** online sale growth	**66%** customers under 35	**56%** women

Highlights of 2018 in Online Channels

- Mavi's partnership with the largest online shopping platforms in Turkey gained momentum in 2018 with increased focus on marketplace activities. After Hepsiburada, the marketplace model expanded with the addition of Trendyol, N11, Gittigidiyor, Morhipo, Lidyana and Amazon Turkey last year, resulting in higher e-commerce revenues.
- Ecom and retail warehouses were merged as a joint inventory for more efficient management. In Q4, deliveries from the joint inventory accounted for 9.5% of all sales.
- The Click & Collect system was established and implemented in 10 stores as a pilot. In 2019, users will be able to pick up the orders they place online at their preferred Mavi store.
- Technology investments continued with a focus on mobile, and the mobile site's UX was upgraded.
- Following the software development work in 2018, the Mavi app will go live in 2019.
- With the introduction of the 'add to favorites' feature, users are now able to mark their favorite items. As a result, 20% of the users that created favorite lists later shopped.
- Introduced as a payment option in May 2018, BKM Express accounted for 6% of the preferred methods of payment.

International Growth and Profitability

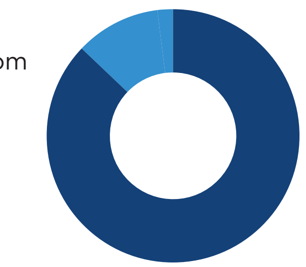
Approximately 2 million of the total 9.6 million pieces of denim sales in 2018 fiscal year have been sold in the United States, Canada, European countries, Russia and other international markets. The international distribution network includes 55 mono-brand stores and mavi.com as well as wholesale and 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 Super Soft and Super Move denim collections. 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 18 monobrand and 27 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.	**55** monobrand (**20** own-operated, **35** franchise)	Online channels share in global **3.3%**	**c.2 million denim pieces** sold in international markets.

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 2018, Mavi increased the share of e-commerce sales in the US from 11% to 16% 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

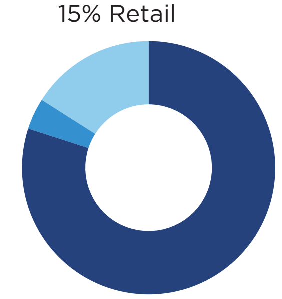
c.1,350 wholesale multi-brand doors	Wholesale: **Nordstrom, Bloomingdale's, Von Maur, Lord&Taylor, Patrick James**	Online wholesale partners: **Stitchfix, Amazon, Zappos, Nordstrom** USA **mavi.com**

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. The three retail stores owned and operated by the brand account for 15% of total sales in the Canadian market as of 2018, contributing positively to the profitability of the operations.

The Canadian operation is predominant by wholesale while 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.

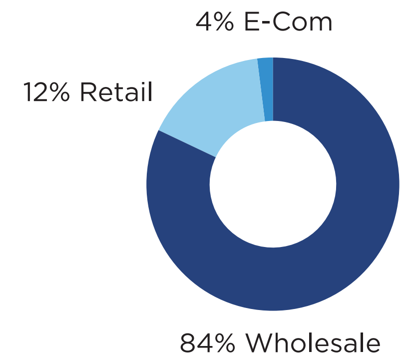


Channel share

c.1,650 wholesale multi-brand doors	Wholesale: **Nordstrom, Harry Rosen, Simons, Ernest, Mark's**	Mono-brand retail stores: **3** Canada **mavi.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, 84% of 2018 revenues came from wholesale channels and 12% from retail channels. Mavi has 3 Mono-brand stores in Germany and both Germany mavi.com and online sales channels are considered priority growth areas.

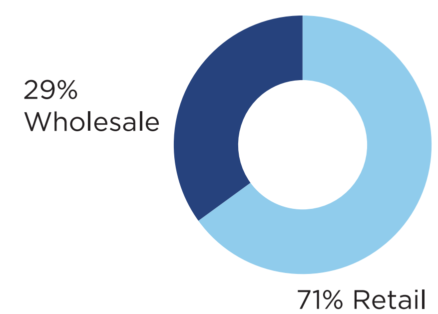


Channel Share

c.1,700 wholesale multi-brand doors	Wholesale: **Breuninger, Kaufhoff, Karstadt, Manor, Peek& Cloppenburg, Leffers** Online wholesale partners: **Amazon, Zalando, Outfittery**	Mono-brand retail stores: **3** 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 14 mono-brand stores and 16 franchises stores in Moscow and St. Petersburg. Going forward, the Company will continue to focus primarily on retail to grow the business in this market, establish the online platform and sustain the profitable wholesale channel mainly consisting of franchises, select specialty chains and corners.



Channel Share

c.122 wholesale multi-brand doors	Mono-brand retail stores: **14**	Franchise retail stores: **16**

8. CUSTOMER CENTRIC COMMUNICATION STRATEGY

Turkey's Most Loved Brand and #1 in brand awareness with unaided top of mind in jeans category. Mavi has a unique brand position with fashion-savvy, 25-34 young adult customers resonating with both women and men. The brand collaborates with top celebrities on its global and local campaigns including Kıvanç Tatlıtuğ, Serenay Sarıkaya, Adriana Lima, Sara Sampaio, Barbara Palvin, Lucky Blue Smith, Elsa Hosk, Jordan Barrett and Romee Strijd has a strong digital presence with 3.3m global followers.

Customer data and product strategy are at the brand's core, with the extensive best-in-class loyalty program (Kartuş) of 7.3m cardholders. The Kartuş loyalty card makes up the vast amount of retail transactions in Turkey with approximately 5.3m members active for the last 2 years.

The brand creates outstanding product and brand engagement through effective and loyal relationships with the young customer. In Turkey, 55% of current customers are under the age of 35. Mavi has acquired 1.1m new customers in 2018, with 65% under the age of 35.

Brand Positioning

Turkey's Loved Brand and Market Leader

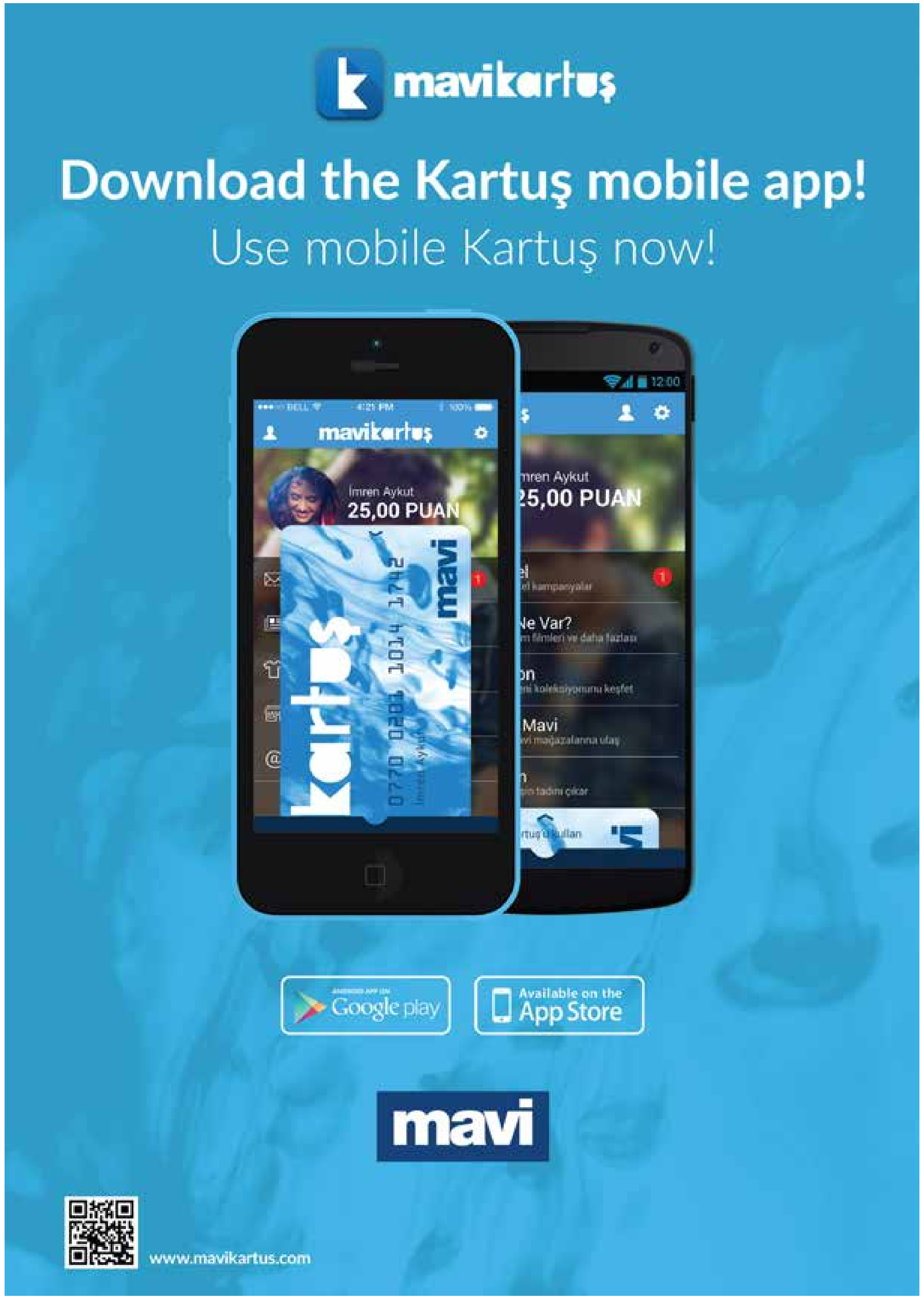
- Unique brand positioning resonating with both women and men
- Effective seasonal campaigns with celebrities
- Drives traffic through retention and new customer acquisition

Customer Insight & Digital Lifestyle

- Customer data at the core of the brand and product strategy
- Understand and engage with the younger generation
- Exceptional social and online engagement

Global Appeal & Consistent Brand Expression

- Perfect Fit strategy offering on-trend, superior quality products for young adults.
- Seasonal campaigns with fashion's high-profile faces. Endorsed by global celebrities.
- Creative collaborations differentiate the brand through product innovation



Best-in-Class Loyalty Program: Kartuş

Customer data is at the core of the brand strategy via Mavi's extensive, best-in-class loyalty program since 2007 (Kartuş). The loyalty card is an exceptional tool to provide the marketing team data and deep understanding about Mavi customers. There are 7.3m loyalty cardholders and they deliver 80% of the retail revenue.

5.3m cardholders have been active over the last 2 years. Insights from CRM data guide immediate actions and long-term brand and product strategy. Using the CRM data, Mavi generates personalized campaigns and drive retention and larger basket size.

7.3m
Loyalty Card Members

80%
of the retail revenue

5.3m
Active members

1.1m
New Kartuş Loyalty Card Members in 2018

Rapid Growth with Young Generation

55%
of customers under 35

65%
of new customers under 35

Marketing Communications Strategy

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. The seasonal ad campaigns, managed as a key pillar of effective marketing activities, are supported by other communication channels, increasing customer traffic and contributing to new customer acquisition.

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 2018, Mavi launched four ad campaigns in the domestic market, reaching over 40 million views on TV and more than 10 million on digital media in each launch. The press conferences 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 reaching over 25 million on social media, Mavi was once again among the most talked about brands in 2018.

2018 Ad Campaigns

- Spring/Summer Image Campaign with Kıvanç Tatlıtuğ - Romee Strijd
- Summer Glam Collection with Bensu Soral
- Fall/Winter Image Campaign with Kıvanç Tatlıtuğ
- Fall/Winter Mavi Icon Launch with Serenay Sarıkaya

Strong Digital Communications

Mavi aims to be a leading company in the retail industry, which is at the core of a massive transformation driven by digitalization, and continues its strong marketing communication activities across all digital assets in line with its digitalization vision. In order to ensure that customer experience is sustainable in omnichannel marketing, an in-house digital team measures the number of visitors, traffic and frequencies of Mavi.com and brick-and-mortar stores and takes necessary actions as it keeps expanding an active and engaged audience. As a result, sustainable communications on social channels delivered engagement with 3.3 million global followers on social media and 260 million digital media views in the domestic market. The ad campaigns featuring brand ambassadors with more than 25 million followers and the launch activities conceived by the marketing team have been identified as key factors in reaching these figures.

Furthermore, collaborations with 25 influencers with 4 million followers combined and product communications have reached audiences of different age groups and lifestyles. The product communications in the form of dressing the characters in popular television shows in Mavi designs create a sales-increasing effect.

Another important outcome of digital communications for Mavi is that they enable categorization and analysis of individual customer experiences. The platform provided by the I love Mavi project allows fashion bloggers and fashion-savvy young people to share their own styles, and the data obtained from this program also supports this analysis and feeds information to the relevant departments of the company.

The creative marketing activities and social responsibility projects that Mavi carried out throughout 2018 have built a community with young customers at its heart. Communications continue with content created in topics of interest that would appeal to the youth since 45% of the millions of followers on social networks are under the age of 24.

As the pioneer of digitalization in fashion communications and delivering the best customer experience, Mavi monitors all communication processes with detailed reporting and turns digital insights into action.

- Digitalization in fashion communications and delivering the best customer experience.
- Reporting and retrieving digital insights in all communication processes.
- Category-specific product communications with influencers.
- 3.3 million global fans on social networks.
- 93% of social media conversations positive.
- 260 million digital media views.
- Effective digital engagement and using global influencers.
- Ability to establish impactful and loyal relationship with young customers.

Brand Communications Events

Mardin Biennial / 4 May - 4 June 2018

As a supporter of culture, arts and design, Mavi sponsored the fourth Mardin Biennial, which put the city on the map among the centers of modern art. For the biennial that received international participation, journalists and influencers were invited to a trip organized by Mavi. The event's reach on digital media and the press exceeded two million.

IKSV Design Biennial / 22 September - 4 November 2018

Design Walks, an event sponsored by Mavi during the 4th Istanbul Design Biennial organized by IKSV, gave the participants an opportunity to see the city with a different point of view. Eight thematic walks, with leading figures in their respective fields as guides, offered a chance to explore Istanbul through design. The walks, with press members and influencers also in attendance, generated nearly 10 million digital impressions through the guests' posts and on Mavi's social media accounts.

Marka Conference / 12-13 December 2018

In the 19th edition of Marka Conference, one of the most prominent industry events in Turkey, Mavi hosted a special session on the relationship between brand ambassadors and communications. The journey of Kıvanç Tatlıtuğ and Mavi, ongoing for the last ten seasons was discussed in the session titled "Mavi'nin Kıvancı, Kıvanç'ın Mavisi" by the star himself and the company CEO. The event, which was covered with 71 news stories, including 14 in print media, 54 online and three television news, reached approximately three million via the press and generated 482 contents in digital media.

Indigo Turtles

Since 2014, Mavi continues to support 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 in the Mediterranean. In 2018, Mavi's brand ambassador, Kıvanç Tatlıtuğ also joined the young volunteers at the camp to help spread the project to a broader audience and raise awareness. With over eight million in digital reach, more than 240,000 engagements in total, 1400 contents and sixty news stories, total press reach of the campaign amounted to 4.5 million.

AWARDS & RECOGNITION TURKEY 2018

Mavi Kartuş is one of the 10 most used loyalty cards according to the "Turkish Customer Loyalty Programs" survey (Ketchup Loyalty Marketing)

"Best Youth Brand of 2018" according to the Turkey Youth Awards

Among the most admired 20 youth-friendly companies (Brandmap)

"Top of Mind Brand & Celebrity Collaboration" Mavi & Kıvanç Tatlıtuğ (Brand Age magazine)

"Çok mu Çok Mavi'yiz" with Kıvanç Tatlıtuğ is the most memorable ad campaign in April according to the Adwatch Survey (Mediacat & Adwatch)

"Best Of The Year" in the marketing/advertisement category at the Hacettepe University Crystal Deer Awards (with the "Çok mu Çok Yeniyiz" campaign with Kıvanç Tatlıtuğ)

"Most Admired Brand Award" at the Ege University Crystal Collar Business Awards

9. MANAGEMENT & ORGANIZATION CULTURE

As a much-loved brand by its team and customers, and a respected business partner, Mavi creates a working environment that is 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 & Vision

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.

Brand Values

Quality
To ensure quality is our brand's top priority.
To maintain consistent high quality across all the brand's products and services.

Innovativeness
To maintain close ties with our consumers, stay in line with market trends and work closely with suppliers to meet our customers' needs promptly and fully.

Passion
To be a customer-driven team that creates excellent products and ensures sustainable growth and market leadership.

Sincerity
To keep our promises to our customers, business partners and employees.
To have a brand culture and managerial approach that values the opinions of all parties.

Respect
To take responsibility for the high degree of trust that our brand has earned.
To meet the needs of the various cultures, understandings and values in the world.

Employer of Choice

Global Mavi Employees

3,911

Mavi HQ Employees

743

Mavi Stores Employees

3,168

Total Mavi Employees

Women 2,071 / Men 1,840

Average Age

26

Mavi Ranks 4th

among the top 4 great companies for women in Turkey

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-oriented project group gatherings involving managers, and then encompassed all functions of the company. Held under the titles Gojeans, Gowomen's&Accessories, Gomen's, Gocustomer, Gosales, Gooperations, Gointernational, Gosystems, Gocrm&e-commerce, Goimprove and Goorganization, 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, yoga, dance, art and handcrafts.

Being a Mavi team member means:

Feeling the privilege of working in an environment of mutual respect and contributing to an organization of close to 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 20 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. In 2018, 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 28 female students in 2018-2019 for the duration of their university education through Türk Eğitim Vakfı (Turkish Educational Foundation – TEV). Aiming to support more young people every year, the project continues to grow with contributions from Mavi employees and expand in scope.

Adım Adım – Vodafone Istanbul Marathon

The 39-strong Mavi running team ran for charity at the Vodafone Istanbul Marathon on November 11, 2018 to support the "Tree Brotherhood" project of the Tema Foundation. The team raised TL 20,685 TL from 233 donors, supporting the nature education of 207 children and planting of 414 saplings in the Adım Adım Memorial Forest in Edirne.

10. SUSTAINABILITY

1. Responsible and Transparent Management

The responsible and profitable business model that Mavi has built, respects people and the environment and is based on 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 15 June 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 dialog 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).

1.1. Code of Conduct and Integrity

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 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 honesty, 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 corporation. Therefore, Mavi expects each employee to respect all living creatures and the environment, to have a sense of social responsibility and to internalize all aspects of the corporate code of conduct. Mavi secures its brand image by ensuring that the employees put the brand's 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 (Mavileti̇şim) for all stakeholders. Whenever Mavi employees encounter unethical behavior in the workplace, they may communicate their complaints anonymously via the Ethics Line. Customers and suppliers may also inform the Ethics board by telephone or email and report unethical or irregular transactions.

The Ethics Board, consisting of three main and two reserve members who report directly to the CEO, is responsible for investigating and resolving complaints and reports of code of conduct infractions. The chairperson 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 must be implemented promptly. In 2018, 33 reports were communicated via the Ethics Line and the Ethics Board investigated each one.

Compliance with laws, procedures and regulations

Mavi uncompromisingly adheres to laws and regulations. Mavi's own corporate rules and procedures also comply with the applicable laws and can be stricter in some cases.

Upholding the brand

Mavi requires all its employees to be cognizant of their responsibilities to the Company and the brand. The Company strives to ensure that customers and coworkers have the utmost confidence in the professional skills and integrity of Mavi employees, who are always expected to uphold the brand.

Respectability and reputability

Mutual respect forms the basis of all functions at Mavi, which adopts the mission of operating as a flexible-thinking organization, open to diverse opinions and ideas. As such, Mavi expects its employees to respect the Company, its customers, other employees, business partners, competitors, society and the environment.

Brand interests

Mavi expects its employees to avoid conflicts of interest. When personal interests conflict with those of the brand, every employee must act inline with Mavi's corporate culture and not allow their personal interests to come before those of the brand.

Privacy

Mavi goes to great lengths to protect the privacy and confidentiality of customer information and that of the people and organizations it does business with. Confidential data and information are only used by the authorized employees to serve the interests of Mavi through signing confidentiality agreements.

The Company of which has run through the process of data privacy also continued implementation of a sustainable personal data protection policy. Mavi has continued to fulfill its requirements of updating its customers through online channels regarding its data privacy policy. The Company continued organizing training sessions to increase its employees' knowledge about the concept and principles of data protection.

Protecting Company assets

Mavi considers information as one of its most valuable assets. The Company protects its informational assets, including data reservoirs, confidential information and information systems while ensuring that their use is appropriate and effective. Mavi requires its employees to support the Company in protecting and preserving these assets against loss, damage, abuse and destruction as well as aiming for savings in all aspects.

Discrimination

Mavi believes that it will achieve genuine richness by bringing diverse cultures together. The employees are expected not to discriminate against others based on ethnic background, language, religion, race or gender.

1.2. Anti-corruption

Mavi has prepared an Anti-Bribery and 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 corruption laws and regulations in 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. Mavi defines its anti-corruption principles in its Code of Conduct.

- Bribery and corruption will not be acceptable under any circumstances whatsoever.
- In carrying out their duties, Mavi employees will not receive commission or monetary gain 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.

2. Respecting Human Rights and Labor Practices

Mavi is an organization open to diverse opinions and ideas and embraces flexible thinking. As its mission entails, the Company expects its employees to respect themselves, customers, coworkers, business partners, competitors, the community and the environment.

2.1. Talent Management

Mavi's most important asset is its human resource and ensuring that the employees work with high effectiveness and efficiency, monitoring their motivation, tangible and intangible satisfaction, taking measures and generating policies are key corporate objectives. The Human Resources management principles are defined with the aim of making Mavi the best employer.

The HR policies and practices are determined to support the performance needed for sustainable growth in line with Mavi's business strategies and managed with the "Mavi Talent Model" that defines their organizational and behavioral aspects.

Principles:

- To recruit young people and experienced professionals that will drive Mavi forward
- To establish and implement systems that enable the employees to 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

Mavi Talent Model. Developed specifically for Mavi in 2014 and is shared with all new team members.

- 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

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

The Mavi Talent 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.

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 and case studies. In 2018, Mavi actively participated in 30 events at 18 universities.

Mavi announces all vacancies on its intranet to its employees. 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.

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.

In 2018, as part of career planning, 89 head office employees and 389 store employees, including 189 sales representatives, 92 Maviolog employees, 67 assistant store managers and 41 deputy store managers were promoted to one higher position while 8 employees were transferred from stores to the head office. Using the data derived from performance assessment results, various employee development programs are created.

2.2. Employee Development and Benefits

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 charge ahead. Accordingly, Mavi offers its employees a variety of learning and development opportunities to improve their skills throughout their careers. In-house training, which has been emphasized since the very beginning, was customized for Mavi over the years and evolved from basic training to advanced programs tailored to individual employees and their goals.

Mavi determines the requirements for its training and development programs by conducting needs analyses via one-on-one interviews with all department managers. Using the results of these interviews in line with the Mavi Talent Model, individual development plans consisting of professional, technical and personal development training modules are conceived for all Mavi 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.

Development of head office employees

In 2018, 173 head office employees received collectively 3,904 hours of training on professional, technical and personal development.
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.

- **GoMavi culture**

Mavi held a workshop series of nine Go groups, building on the Company's positive experience of the Adizes methodology in 2015. Launched for managers, the meetings evolved into multifunctional, solution-focused project groups under their direction with wider participation and encompassing all the Company's functions. The Company invites experts to these meetings, which are now named Gojeans, Gowomen's&Accessories, Gomen's, Gocustomer, Gosales, Gooperations, Gointernational, Gosystems, Gocrm&e-commerce, Goimprove and Goorganization. Additionally, comprehensive monthly, seasonal and annual meetings with management keep employees abreast of Company activities. 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.

- **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 successful program continues to expand in scope every year based on Mavi's leadership development model and strategic priorities.

In 2018, 38 people took 304 hours of training in total as part of the Leadership Development Program and 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. In 2018, the program was expanded and redesigned in a manner to enable C-level executives to mentor mid-level managers as a continuation of MaviKampüs.

- **Enhancing work life with GoSocial**

Mavi organizes a range of arts and sports activities to strengthen the sense of belonging and team spirit among its employees and to contribute to their social life. Several Mavi employees participate in the social clubs established under the GoSocial umbrella in response to employee requests. These include photography, sailing, dance, painting

and handcrafts clubs, all operating under the guidance of professional trainers. Following the club activities, the Photography Club organized an exhibition of photographs taken during photography tours. In addition to club activities, Yoga classes are available two times a week for all employees. Additionally, the employees represent Mavi at intercompany tournaments such as basketball, running, bowling and tennis through the year.

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.

- **Training Programs for Store Managers**

Orientation Training: In 2018, 38 store managers and deputy store managers, recently recruited or newly promoted, took orientation training.
Classroom Training: 154 store managers and deputy managers in total took 803 person/hours of classroom training under the topics "Main Responsibilities of a Store Manager," "Cash Register Processes," "Customer Focus" and "7 Basic Steps of Sales".

On-the-job Training: Total 2,511 person/hours of on-the-job training delivered under 12 topics including "Persuasion," "KPI" and "Upselling and Customer Objections," .

- **SM/Maviolog/Sales Rep/Cashier/Warehouse Employee Training Programs**

Classroom Training: 746 field employees in total took 4,338 person/hours of classroom training under the topics "7 Basic Steps of Sales," "Main Responsibilities of a Store Manager," "Cash Register Processes" and "Customer Focus".
On-the-job Training: Total 3,721 field employees received 12,892 person/hours of on-the-job training delivered under 12 topics including "Persuasion," "KPI" and "Upselling and Customer Objections,".

- **GoSeason**

Information on seasonal collections and products are delivered to store managers at these biannual meetings. Category managers explain the forthcoming season's leading products to the managers and receive their feedback.

- **Mavi strategy and target meetings**

Annual meetings are held offsite, three days for store managers and two days for assistant store managers. 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 241 as of 2018 yearend.

- **Secret Customer survey and field development**

Secret customer survey is conducted six 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 the February – December 2018 period, 2,167 secret customer visits were paid to more than 350 stores in 70 cities. In all the visits, NPS scores were measured in objective and subjective standards, and the highest scores were recorded in all assessment criteria in December. These results are also used to identify development areas and stores that have room for improvement, and trainings are planned accordingly.

- **Employee Benefits**
  - Private health insurance starts on the first day for managers and executives in more senior positions at the head office and after completing six months of employment for lower positions. Managers and executives in more senior positions at the head office are entitled to an annual check-up. The employees may buy additional coverage for their family members at their own expense by applying to the HR Department.
  - Women employees at the head office can benefit from Childcare Assistance for their children aged 2-6.
  - All Mavi employees benefit from birth and marriage assistance.
  - All employees receive a meal ticket. Mavi offers a free open buffet breakfast. Lunch is available at the cafeteria for the head office employees.
  - All new recruits receive the gift of a pair of Mavi Jeans from the denim collection.
  - All employees receive a 30% discount card that can be used in season shopping at Mavi stores.
  - Depending on their positions, certain employees are entitled to company credit card, company car, fuel, a cell phone and line.
  - A workplace physician is available to employees at the head office two days a week.
  - Head office employees benefit from shuttle buses while store employees receive travel allowance.
  - Head office employees are supported for social club memberships.

2.3. 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.

Mavi team includes employees from 30 countries, with 81 people with disabilities. As 92% of the employees are under the age of 35, the Company taps into the potential of the young and dynamic workforce in the country.

As of 2018 yearend, women account for 53% of the total 3,911 employees and 43% of all managers. The female manager ratio is 60% at the Mavi Turkey head office and 36% among store managers. To encourage women's participation in the workforce and to make their working life easier, all Mavi women employees with children in the 2-6 age group receive daycare support. In 2018, 90 employees took maternity leave and 90% returned to work later.

2.4. Occupational Health and Safety

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.

Training sessions are held to reinforce and raise occupational health and safety awareness. Accordingly, 1,033 people from the head office and stores received OHS training in 2018. 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.

3. Sustainable Value Chain

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.

3.1. Local Sourcing and Responsible Supply

At Mavi, nearly all of the jeans and nearly 80% of the entire collection are sourced locally. 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.

Social compliance in sourcing

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 cycle and respectful of humans and nature. Transparency and ethical communication are integral parts of cooperation.

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 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. Since January 31, 2018, the 68-member supplier team has been working with the sales team to increase profitability, achieve product diversification and ensure that raw materials and final products comply with Mavi's standards.

Mavi assures that production is carried out in international standards by signing detailed agreements with all its suppliers. The Company monitors the social, economic and environmental performance of its suppliers, who are expected to take steps to improve their performance through practices aimed at their development areas.

The Quality Assurance Department, established under the Global Procurement Directorate in 2017, conducts inspections to determine the social harmonization of suppliers. These inspections focus on identifying the extent to which the following areas meet international standards and comply with restrictions and regulations: 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.

All suppliers have received relevant documentation and the preparation process has been completed with necessary communication and training. Since July 2017, inspections have been carried out at 260 manufacturing sites of 70 suppliers, and those found to be in violation were asked to take preventive and corrective measures or terminated.

Environment and energy systems

Mavi's two major denim suppliers, ERAK and TAYEKS, apply advanced methods for improved energy efficiency and reduced water consumption.

Mechanical, chemical and biological membrane treatment systems are used in the manufacturing sites of these suppliers. 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.

In denim production, applications such as laser technology, which reduces the use of chemicals and saves water, cogeneration system that self-generates its electricity, recovering the steam expended in the washing facilities to use in the heating system, shortening drying times, using new generation hygrometers that enable natural gas savings, and drip technology that minimizes the use of water and chemicals in the washing facilities are some of the measures taken to minimize environmental impact.

With the renovation of the machinery parks at the relevant manufacturing sites, daily waste water is reduced by 50 percent. The renewed machine park increased the number of units produced per machine, shortened washing times and reduced water use per product.

All the chemicals used in the plants are certified by the international ZDHC platform. The chemicals are only allowed into the plants if they perform according to the test acceptance methods and then used in the production line.

Reducing the existing lighting in the sewing section and using LED luminaires with independent motion sensor on all machines enable energy savings. Using individual lighting for the machines instead of general plant or line lighting not only reduces energy use but also improves the environment, which could cause extra stress on the employees.

Both suppliers, holding GOTS and OCS certifications, are among the few manufacturers that are capable of produce organic jeans. Organic production can be carried out on dedicated lines and areas within the factory.
Within the framework of corporate social responsibility, the suppliers hold BSCI (Business Social Compliance Initiative) or Sedex certificates. Such certifications and inspections ensure that the health and social security of the employees are prioritized and damages to the environment are minimized.

3.2. Responsible Product and Service

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, organostatic 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 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.

3.3. R&D and Innovation

Embracing the philosophy "The design carries a product to a brand," Mavi today operates with a multicultural design team while also collaborating with world-renowned designers and consultants. Adriano Goldschmied, the world's foremost denim designer, Rıfat Özbek, who designed his first ever denim collection for Mavi and Hussein Chalayan, whose Mavi designs stand as his first for a Turkish brand are among the major names working with Mavi. 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. The brand combines its denim expertise with the product development team to manufacture jeans using 100% local know-how, optimally leveraging the country's high quality supply ecosystem. Every season, Mavi collaborates with world-renowned 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 premium product groups such as Gold, Black, Super Soft, Super Move are the result of combining cutting- edge technologies with Mavi's passion for designing perfect products. Mavi collaborated with Lenzing to design the Super Soft denim collection in ultra-soft TENCEL™ Lyocell fabric with excellent recovery, premium look, comfortable feel and silky touch.

3.4. 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. Considering that the path to creating the Happiest Mavi Customers goes through the happiest, most skilled and most dynamic field team, Mavi Connect, which connects the field and the Head Office and deepens the engagement and feedback culture, was developed in 2018 as a brand new digital training and communication platform.

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's in-house call center team manages the flow of these 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.

4. Environment, Energy and Biodiversity

Environment and biodiversity are not among the topmost priority impact areas for Mavi due to the fact that the Company does not operate in an energy-intensive industry or engage in manufacturing and conducts its retail business in leased spaces, and because its operations and products do not pose a risk on the protection of the environment, wellbeing of society and biodiversity. Nevertheless, Mavi, together with its employees, adopts it as a general objective to protect nature and minimize environmental impact. Within this scope, the following measures have been implemented:

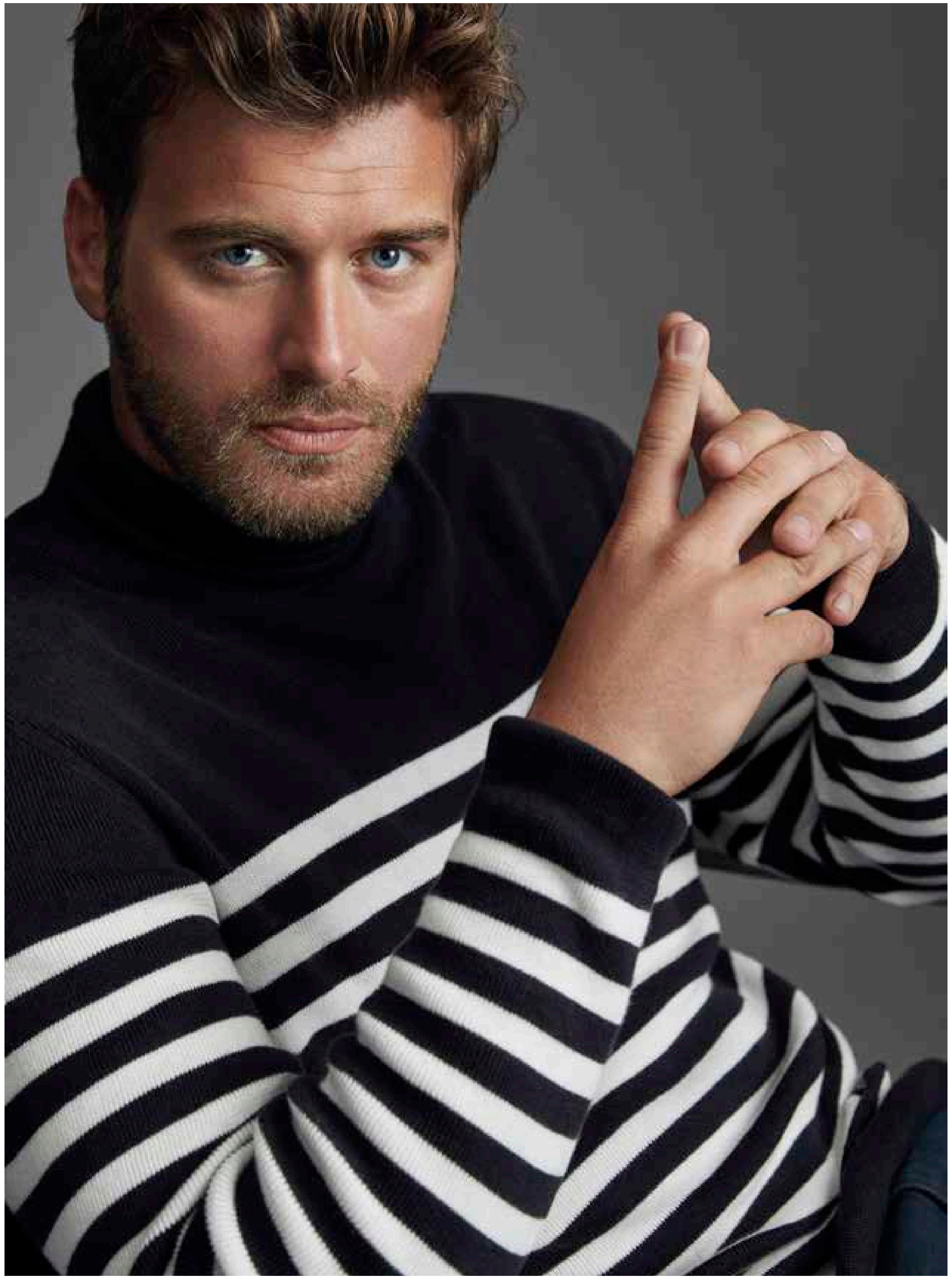
- At the Mavi head office, paper, metal and plastic waste is sorted and recycled while medical waste and used batteries are sent for safe disposal or recycling.
- The disposable plastic water cups consumed in the water coolers in the head office building have been replaced by paper cups.
- Pursuant to the Regulation on Packaging Waste Control, paper shopping bags have been introduced in the stores in order to reduce the use of non-biodegradable plastic bags, protect nature and instill recycling culture while plastic bags are now sold for a fee.
- In 115 of 300 stores, lighting luminaires have been converted to LED technology. This switch resulted in 35% savings from the energy consumed by luminaires in the stores.
- Access ramps for people with disabilities were designed and the first ones were delivered to 11 stores. Furthermore, the first fitting room for people with disabilities was installed in the Water Garden store.

Support for Environment Friendly Projects

Mavi supports the Ecological Research Society's (EKAD) activities to protect endangered sea turtles with the Indigo Turtles project and together with its employees, contributes to biodiversity (Please see Indigo Turtles Project, p. 67)
Mavi chooses not to work with solution partners that act against the environment and wellbeing of the community.

5. Organization

The Board of Directors is responsible for overseeing the Company's social and environmental performance. Mavi's environmental and social impact is classified in two main groups, namely suppliers, and the head office and retail stores. Relations with and oversight of suppliers are the responsibility of the global supply chain director while the environmental and social harmonization performance at the head office and in stores are the responsibility of the global HR director.



11. CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. 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 henceforth it has been subject to CMB regulations. 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 on applying 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.

The non-mandatory Corporate Governance principles Mavi has yet to implement are indicated below, including the reasons for non-implementation. Mavi has no conflict of interest arising from not having achieved full compliance with these principles.

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 4.2.5 The posts of Chairman of the Board of Directors and General Manager (CEO) are held by separate individuals, whose respective scopes and limitations of authority are clearly specified in the Internal Directive.

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 The members of the Board of Directors are trusted individuals with successful careers and competencies, providing significant contributions within the principles of confidentiality. No restrictions were introduced regarding the duties of the board members outside the Company. Such a restriction is not deemed necessary, particularly taking into account that the work experience and sector insights of independent members deliver essential contributions to the Board of Directors.

Article 4.5.5 The Company has set the number of independent Board members at two by considering various factors such as the volume of its operations and administrative needs. Currently, the Board has three committees. With regard to the principle requiring committee chairs to be independent members, it has been necessary to delegate multiple committee memberships to the independent directors. This does not give rise to any conflict of interest within the Company.

Article 4.6.5 The General Assembly determines remuneration payable to members of the 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.

Pursuant to the CMB decision dated 10.01.2019 n. 2/49, 2018 Corporate Governance Compliance Report and Corporate Governance Information Form of Mavi, which is prepared in accordance with the new reporting format, is publicly disclosed separately on the Public Disclosure Platform (KAP).

2. 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, 2018 to January 31, 2019, the Investor Relations Department attended 14 investor conferences and roadshows in Turkey and abroad, and held over 100 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 552 investors and analysts from 232 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 and 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, 2018 to January 31, 2019 were answered in accordance with the Company's Public Disclosure Policy and in line with publicly available information.

The Investor Relations Department submitted four 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 May 2, 2018 to review the special accounting period from February 1, 2017 to January 31, 2018 with 66.47% participation at the "Raffles Istanbul Hotel Levazım Mahallesi, Koru Sokağı Zorlu Center 34340 Beşiktaş/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 of the Company. 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 Auditors' 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 reviews 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 May 2, 2018, the questions asked by our 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 where the General Assembly meetings are held 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 given to those who demand them.

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 May 2, 2018, the upper limit for donations to be made by the Company in the special accounting period of 1 February 2018 - 31 January 2019 was set at TL 700,000 and the amount of donations and aid amounting to TL 424,641 has been realized.

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, 2018 to January 31, 2019, 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, 2018 to January 31, 2019, 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.

Shareholders may appoint proxies to attend General Assemblies from among the shareholders or third parties. Proxy holders who are shareholders in their own right may exercise the voting rights accruing to their own shares and to each share for which they hold proxy. The form of the proxy documents shall be determined and announced by the Board of Directors in accordance with capital markets legislation.

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 provide for 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 May 2, 2018 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 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.

2.6. Transfer of Shares

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

3. 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 activity reports are detailed enough 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. They are published on Mavi's corporate website, www.mavicompany.com.

4. 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 on a continuous basis via press conferences, press releases, annual reports, corporate website and its 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 stakeholders' rights are unregulated 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 briefs the public via press conferences, press releases and interviews. 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 at the same time and simultaneously posts 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 via the Corporate Governance Committee, the Audit Committee and the Investor Relations Department or directly by email, post 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 adheres to 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 and it strives to enhance these practices.

Employees:

Numerous meetings are held at regular intervals to brief employees and to ensure their participation in management. These include:

- MassMavi Meetings: These meetings, open to all head office employees, provide a platform for departments to share their monthly business plans.
- Management Forum Meetings: The Company's activities over the previous six months are reviewed at these comprehensive biannual meetings, open to all head office employees.

- GoForward Meetings: Thanks to the achievements and inspiration of the Adizes methodology, which proved to be efficient in 2015, Mavi implemented a series of workshops in nine "Go" groups. The workshops, initially held with the participation of directors, evolved into multi-functional, solution-oriented project groups including managers. The workshops' scope extended to cover all functions of the Company. The nine workshops—Gojeans, Gowomen's&Accessories, Gomen's, Gocustomer, Gosales, Gooperations, Gointernational, Gosystems, Gocrm&e-commerce, Goimprove and Goorganization—also host outside experts in their respective fields.
- GoSeason Meetings: These are annual meetings providing training to store managers on the forthcoming season collections and product information. During these meetings, managers of the relevant categories inform the store managers directly about the prominent products of the season and the store managers' feedback is received.
- 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.

Franchisees:

Mavi holds meetings with its domestic and foreign franchisees four times a year to present the Company's strategy and targets, and collections. The franchisees have briefings on current developments and the their opinions and suggestions are considered.

Suppliers:

Mavi works with approximately 130 direct and indirect suppliers, who form an important part of the supply chain. There are various practices in place to increase the Company's cooperation with its suppliers, including supplier trainings, audits and visits, during which general information on the Company's vision, strategy, business targets and future actions are presented, and Mavi's expectations of suppliers in respect to corporate responsibility and occupational health and safety are communicated.

Customers:

One of Mavi's most important priorities is the 'Happiest Mavi Customers' approach. This approach is focused on continuously achieving the highest customer satisfaction. To embed this approach in its operations, Mavi established a special project group, GoCustomer, to channel the energies of Marketing, HR, Sales and Training department employees into this endeavor year round and thereby ensure Mavi customers enjoy superior product and service quality, and perfect shopping experiences. Considering that the path to creating the Happiest Mavi Customers goes through the happiest, most skilled and most dynamic field team, Mavi Connect, which connects the field and the Head Office and deepens the engagement and feedback culture, was developed in 2018 as a brand new digital training and communication platform.

Mavi customers can contact Mavi by telephone, email, and social media or through Mavi stores to comment on the Company's products and services, communicate their thoughts and feelings about Mavi, or to make suggestions. 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.

Additionally, service is procured from a third-party firm 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

Mavi's main Human Resources (HR) targets are to ensure that its human resource, its most valuable asset, functions in the most efficient and productive manner possible, to monitor motivation and job satisfaction in terms of remuneration and morale, and to produce relevant policies and measures. Mavi established its Human Resources Policy with the aim of becoming the most favored 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, all of which operate under the supervision of the Global Human Resources Directorate. Even though a dedicated employee representative has not been appointed to handle employee relations, all means of communication are available to all employees of the Company.

HR policies and practices are built 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.

HR principles:

- To recruit young employees and experienced professionals with the potential to drive Mavi forward
- To establish and maintain systems that enable employees to advance, develop, succeed and move forward
- To invest constantly in the development of Mavi employees, identify their training needs, prepare and implement relevant training programs
- To ensure Mavi employees perform tasks compatible with their particular knowledge and skills, to establish regulations that improve efficiency and productivity
- To nurture employees' loyalty to the Company through career opportunities and reward mechanisms
- To create and maintain a safe, healthy and peaceful working environment in accord with Environment and Occupational Health and Safety
- To fill new positions from the existing human resource to the extent possible
- To select the most suitable candidates by taking into consideration the Company's current and future needs, to offer equal opportunities to the candidates, and to maintain cultural diversity.

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 2018.

4.4. Code of Conduct and Social Responsibility

Mavi communicates its understanding of ethics under the Code of Conduct, 'Us and Our Principles in Mavi' (Mavi'de Biz ve İlkelerimiz), 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 events 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) Indigo Turtles project, assisting the preservation of sea turtles facing extinction, since 2014
- Granting scholarships annually to female students, the number of which equals the age of the Company. For the 2018 – 2019 academic year, 28 students received grants under the Mavi Scholarship project, which supports them through their university education

5. 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 personnel and financial resources the Company requires, and supervises 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, 2018 to January 31, 2019, no circumstances that would impair the independence of the independent members occurred.

In the special accounting period from February 1, 2018 to January 31, 2019, only one woman 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, 2018 to January 31, 2019 under the section 'Board of Directors' and they were 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 and sector specific experience, 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 6 members and these members have been elected to serve for a term of 3 years at the Ordinary General Assembly Meeting held on 2 May 2018.

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 Vice chairman - 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, Board member - MNG Kargo A.Ş.
Fatma Elif Akarlılar	Board member Executive Chief Brand Officer	Management board member - Mavi Germany	-
Ahmet Cüneyt Yavuz	Board member Executive Chief Executive Officer	Management board member - Mavi Germany	-
Ahmet F. Ashaboğlu	Independent director Non-executive	-	CFO - Koç Holding Board member - several Koç Group companies

Name	Position	Other Positions Within the Group and Name of the Relevant Company	Positions External to the Group and Name of the Relevant Company
Nevzat Aydın	Independent director Non-executive	-	CEO and Board Member - Yemeksepeti.com Advisory Board Member - Allianz Board member - Endeavor (www.endeavor.org.tr), TOBB Young Entrepreneurs, American Turkish Society Founding Member - Galata Business Angels

5.2. Board of Directors' Operating Principles

Board meeting agendas are determined upon the notification by the relevant units 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 01.02.2018 to 31.01.2019, the Board of Directors passed 57 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 a 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 via telephone and email. The Company's Senior Legal Counsel serves as the secretary of the Board of Directors.

Board meeting minutes record all questions raised, all matters discussed, and all resolutions passed, with the reasoning for the voting outcomes. No votes were cast against Board resolutions in 2018.

In the 2018 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 US$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 Detection 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 May 2, 2018 and disclosed the resolution on the Public Disclosure Platform (PDP).

The Company did not form a Nomination Committee or a Remuneration Committee in 2018, 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	Chairperson	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 twelve resolutions in 2018, collectively expressing its observations on the accuracy, correctness and compliance with the Company's accounting principles of the annual and interim financial tables prepared for public disclosure, the quarterly realizations of the related party transactions and the realizations of the assumptions on which the public offering price was determined.

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	Chairperson	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 2018, 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 Detection of Risks Committee

Name	Title on the Committee	Independent/Non-executive
Ahmet F. Ashaboğlu	Chairperson	Independent, non-executive
Ragıp Ersin Akarlılar	Member	Independent, non-executive
Tuba Toprakçı Yılmaz	Member	-

The Early Detection 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 Detection of Risks Committee convenes at least six times a year. In 2018, the Committee submitted seven written reports to the Board of Directors on enterprise risk management that involves detection of risks and determining the steps and actions to avoid or mitigate risks.

5.4. Risk Management and Internal Control Mechanism

Mavi has established an Early Detection 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 every two months and the Company forwards these reports to its 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 Information Technologies Systems Communiqué, which entered into force 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 of 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 supervises management performance. In this regard, 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-level managers 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 yearend 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

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 are set out in the Company's Remuneration Policy, which is available on the corporate website.

Determining the remuneration for non-executive board members will constitute a separate agenda item at the ordinary general assembly meeting to review 2018. Remuneration of independent members of the Board does not involve dividends, stock options or performance-based payment plans.

The 2018 aggregate of financial benefits paid to Board members, the general manager and the executives reporting directly to him amounted to TL 43,193,000, 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 2018, independent Board members, Nevzat Aydın and Ahmet F. Ashaboğlu, and the Chairman of the Board of Directors, Ragıp Ersin Akarlılar were each paid TL 8,000.00 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 8,000.00 paid to independent Board members, Nevzat Aydın and Ahmet F. Ashaboğlu, and the Chairman of the Board of Directors, Ragıp Ersin Akarlılar to TL 9,600.00 for the 2019 fiscal year 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 DISCLOSURES

Company Information and Shareholding Structure

Mavi Giyim Sanayi ve Ticaret A.Ş. ("Mavi" or the "Company"), was founded in 1991 and is currently registered at Sultan Selim Mahallesi Eski Büyükdere Caddesi No:53 34418, Kağıthane, İstanbul. The Company is registered with the Büyük Mükellefler Tax Office with tax ID number 613 002 7985 and Istanbul Trade Registry with registration number 309315. The corporate web site of the Company (www. mavicompany.com) can also be accessed via the Company's official web site (www.mavi.com).

The Company's issued, paid-in capital consists of 49,657,000 shares, each with a nominal value of TL 1.00 as of January 31, 2019. The authorized share capital limit of the Company is TL 245,000,000.
Mavi started trading on Borsa Istanbul on January 15, 2017 with the ticker symbol MAVI.
The shareholding structure of the company as of January 31, 2019 is shown below.

	%	31 January 2019
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
Free Float	72.60	36,048,707
	100.00	**49,657,000**

Direct and Indirect Subsidiaries

Direct and indirect subsidiaries of the Compnay are as follows

Subsidiary	Country	Share
Mavi Europa 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 reporting 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 a result of this Subsidiaries Report, which was issued by Mavi's Board of Directors on March 15, 2019, it was concluded that in respect of all transactions carried out between Mavi on one side and Mavi's controlling shareholders and their subsidiaries on the other side during the special accounting period from 01.02.2018 to 31.01.2019, the consideration received in each transaction was appropriate as per 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

No administrative or judicial sanction has been imposed on the Company or its Board Members due to acts violating applicable legislation.

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

The amendments to the Articles of Association required to reflect the current shareholding structure of the Company and to update address details were adopted at the General Assembly Meeting on May 2, 2018 following the approval of the Capital Markets Board and the permission of the Ministry of Customs and Commerce. The resolutions passed during the said General Assembly Meeting have been registered with Istanbul Trade Registry Directorate on May 8, 2018 and the Articles of Association announced in the Turkish Trade Registry Gazette No. 9577 on May 14, 2018.

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

Regular audits have been conducted by the public authorities in the special accounting period from 01.02.2018 to 31.01.2019, and no official notification of a material nature has been communicated to Mavi.

Information Regarding the Company Shares Acquired

The Company has not acquired any of its own shares in the special accounting period from 01.02.2018 to 31.01.2019

Review Under Article 376 of the Turkish Commercial Code

"Whether or not Mavi's capital was preserved and not lost as per Article 376 of the Turkish Commercial Code has been evaluated. Accordingly, it has been established that as of 31 January 2019, Mavi's issued capital of TL 49.657.000 was well preserved, with the main shareholder having a shareholder's equity of TL 333.774.000 TL and with a net financial indebtedness/equity of 0.32, Mavi's indebtedness level was convenient 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 Akarlilar, 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 has formerly served as Chairman at Mavi for nine years and Domino’s for seven years and is currently the Vice Chairman at Elif Plastik, Medical Park, Koton, Mavi, Flo and Domino’s, and a board member at MNG Kargo.

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. Ashaboglu holds a B.Sc. 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
After obtaining his computer engineering degree from Boğaziçi University, Mr. Aydın attended University of San Francisco for an MBA in Silicon Valley and later returned to Turkey to launch his “yemeksepeti.com” project. Currently, Mr. Aydın is a board member at Endeavor Turkey, TOBB (Union of Chambers and Commodity Exchanges of Turkey) Young Entrepreneurs, and American Turkish Society and a founding member of Galata Business Angels, and to date, he has been involved in 31 investments. In addition to his role as the co-founder and CEO of Yemeksepeti.com, the first and largest online food delivery portal in Turkey, he is also a member of the Advisory Board of Allianz, and an independent board member at Mavi.

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.

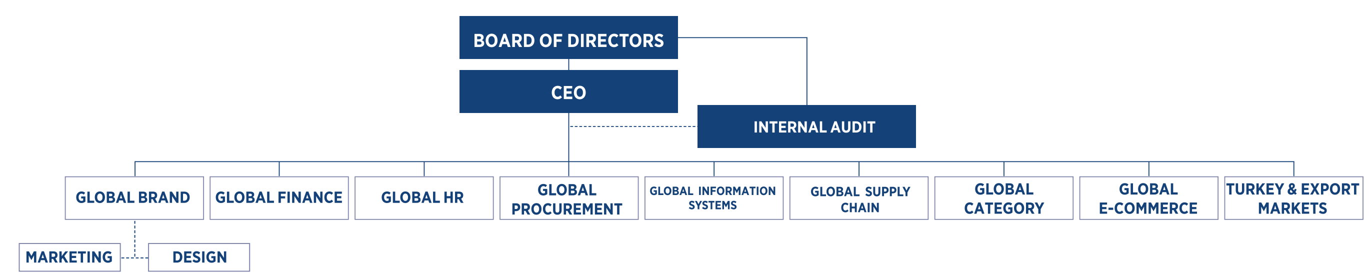
Elif Akarlılar | Chief Brand Officer
Elif Akarlılar who holds an undergraduate degree in International Politics from the University of Vienna and an MA in Visual Culture and History of Design from New York University, joined Mavi in 1991 and prior to her appointment as global brand director, she held 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.

Tuba Yılmaz | CFO
Tuba Yılmaz, who holds a BA degree in Business Administration and an MA in Finance from Istanbul University, worked at Demirbank and Tarnak Freight. Ms. Yılmaz, who has been with Mavi for 19 years, held various positions at Mavi America and was appointed Chief Financial Officer in 2006.

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

Savan Tüysüz, Chief Commercial Officer (Turkey & Export Markets) was appointed Mavi Europe Regional Director to operate out of the Company’s subsidiary Mavi Europe AG in September 2018.
Okan Gürsan was appointed Chief Commercial Officer (Turkey & Export Markets).



BOARD OF DIRECTORS' VIEW

Board of Directors' Evaluation of the Financial Performance and Operational Results in the 2018 Fiscal Year

In 2018, the Turkish market, where the vast majority of the Company's activities takes place, saw major developments in macroeconomic conjuncture while Mavi maintained its strong growth performance in all sales channels, including retail, wholesale and e-commerce. As a result of its strong brand perception and recognition, customer-focused approach, competitive strategies aimed at growth in units and market share, Mavi continued to gain new customers and expand its basket size in 2018.

With the added impact of service excellence and superior quality factors, Mavi achieved traffic and revenue growth beyond the company's targets and expectations in the 2018 fiscal year and the strong growth, observed particularly in LFL stores (22.5%), has brought along improved productivity and profit margins.

In the fiscal year 2018 that ended on January 31, 2019:

The Group's consolidated sales increased by 32% year-on-year, amounting to TL 2,353 million.

Gross profit was up 33%, with gross profit margin of 51.3%.

EBITDA increased by 46% compared to 2017, reaching TL 367 million. EBITDA margin rose 150 basis points to 15.6%. Net indebtedness, which was TL 112 million as of January 31, 2018, regressed to TL 109 million as of January 31, 2019 while Net Debt/EBITDA ratio was x0.3.

In 2018, capital expenditures, which included new store openings, expansion of existing stores and technology investments, amounted to TL 66 million, with investment expenditures constituting 2.8% of sales.

Board Of Directors' Assessment Of The Commıttees' Effectiveness

Audit Committee, Early Detection 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 oversees the accounting system of the Company, public disclosure of financial information, and functioning and effectiveness of the internal control system and 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, assesses compliance with accounting principles, 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 Director, finance managers, independent auditors and the internal audit department.

The Audit Committee passed twelve resolutions in 2018, collectively expressing its observations on the accuracy, correctness and compliance with the Company's accounting principles of the annual and interim financial tables prepared for public disclosure, the quarterly realizations of the related party transactions and the realizations of the assumptions on which the public offering price was determined.

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, reviews complaints related to shareholders communicated to the Group and ensures 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 2018, the Committee assessed the Company's corporate governance practices and the Corporate Governance Principles Compliance Report while working on further developing the public disclosure policies and updating the Company Disclosure 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 Detection of Risks Committee

The Early Detection of Risks 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 2018, 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 seven 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 Directorate 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, generated to monitor and manage the risks detected within the Corporate Risk Management activities coordinated with the Internal Audit department and the relevant risks were included in the audit 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 Detection of Risks Committee and the Board of Directors are periodically informed of such risks.

Financial Risks

The exchange rate risk that could arise from changes in the value of Turkish Lira against the currencies used in operations such as US dollar, Euro, Russian ruble and Canadian dollar, liquidity and cash flow problems that could arise in line with working capital requirements, changes in the prices of commodities such as cotton and polyester that could impact the cost of goods 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 2018, all foreign currency liabilities on the balance sheet were hedged with forward contracts and it has been decided to prioritize maintaining zero open position on the balance sheet in the forthcoming period.

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.

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 misguiding investments, and failing to anticipate evolving consumer preferences, fashion trends and the competitive landscape. Mavi creates three-year strategic road maps, 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 when selecting the markets in which it will operate strategically and avoids investing directly in risky geographical areas. 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.

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 increase 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 of its subsidiaries hold responsibility for internal control mechanisms. The Internal Control System is periodically reviewed and audited by the Internal Audit Department.

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 13.04.2017 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 01.02.2018-31.01.2019 with regard to the "Frequent and Continuous Related Party Transactions Planned to be Conducted During the Special Accounting Period of 01.01.2018-31.01.2019" approved by the Board of Directors Resolution dated 29.03.2018 and numbered 2018/13 ("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 01.02.2018 - 31.01.2019; 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 01.02.2018 - 31.01.2019.

With respect to any and all information and documentation submitted to us; we couldn't find any substantial matter during the period of 01.02.2018 - 31.01.2019 that might be against the General Resolution of the Board of Directors.

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 01.02.2018 to 31.01.2019, 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

RESPONSIBILITY STATEMENT FOR THE ANNUAL REPORT

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

We hereby present the Annual Report prepared by the Company for the special accounting period from 01.02.2018 to 31.01.2019 and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with Turkish Commercial Code and Capital Markets Board's "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") II.14.1 and according to Capital Markets Board Regulations; which includes the Corporate Governance Compliance Report prepared in accordance with the formats defined by CMB in 2014 that were allowed to be used this year by the CMB resolution dated 10.01.2019 declare our responsibility for the following:

- We have examined the Annual Report,
- Within the frame of information that we hold in our fields of duty and responsibility in the Company, the Annual Report does 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 Annual Report prepared pursuant to the Communiqué fairly reflects the progress and performance of business and – together with those covered by consolidation – the financial situation of the entity, along with material risks and uncertainties encountered by the Company.

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

12. 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 31 January 2019
With Independent Auditor's Report on Consolidated Financial Statements Thereon

14 March 2019
This report includes 9 pages of independent auditor's report and 79 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
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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 2019, 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 2019, 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 Ethics Standards Board for Accountants 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.

KPMG

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 2.3, (i) to the consolidated financial statements for summary of significant accounting policies 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. There is an inherent control risk with respect to accuracy of revenue recognised from retail sales in the consolidated financial statements due to the large volume of data processed in billing process. Revenue recognition from retail sales by information technology ("IT") has been identified as one of the key audit matters due to the complexity of these systems and the volume of data processed by these systems.	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 following controls of the management; • 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 control through the sales documents obtained for the sales transactions tested on a sample basis. - Sales contracts with customers have been reviewed and controlled on a sample basis.

KPMG

Key Audit Matters (continued)

Revenue recognition (continued)

The key audit matter (continued)	How the matter was addressed in our audit (continued)
In addition, the revenue recognition from wholesales is related to the assessment of the related sales contracts in the related period. Since the timing of revenue recognition requires significant judgments, the accounting of wholesales has been identified as one of the key audit matters.	- 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 were recognized appropriately and accurately in the correct reporting period.

![KPMG]

Key Audit Matters (continued)

Inventory impairment provision

Refer to the Note 2.3, (d) and Note 9 for the relevant accounting policy and disclosures.

The key audit matter	How the matter was addressed in our audit (continued)
The Group's inventories carry a risk of impairment due to rapid changes in consumer demands and fashion trends. The computation of inventory impairment provision involves management judgments and estimates. These judgments and estimates include assessment of the slow moving inventories due to various reasons such as changes in customer 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 inventories through comparing with prior period actual results, - 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 net realizable value of inventories on a sample basis, - Observation of obsolete and damaged inventories during the inventory counts.

Key Audit Matters (continued)

Impairment of goodwill

Refer to the Note 2.3, (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 2019 the goodwill recognized in the consolidated financial statements amounted to TL 136.878 thousand. Goodwill amounting to TL 121.163 thousand is allocated to Mavi United States, goodwill amounting to TL 11.982 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.	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, - Evaluating the reasonableness of forecasted cash flows for each CGU by comparing with its historical financial performance, - 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,

KPMG

Key Audit Matters (continued)

Impairment of goodwill (continued)

Key audit matters (continued)	
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.	

KPMG

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.

- 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
14 March 2019
İzmir, Turkey

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Financial Position
As at 31 January 2019

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

	Notes	Audited 31 January 2019	Audited 31 January 2018
ASSETS			
Current assets			
Cash and cash equivalents	4	266.571	266.280
Trade receivables		168.593	112.996
- Due from third parties	7	*168.593*	*112.996*
Other receivables		17.059	24.187
- Due from third parties	8	*17.059*	*24.187*
Derivatives	32	--	848
Inventories	9	457.229	320.351
Prepayments	10	37.985	23.358
Current tax asset	30	15.805	183
Other current assets	19	22.070	13.176
Total current assets		**985.312**	**761.379**
Non-current assets			
Other receivables		2.411	2.981
- Due from third parties	8	2.411	2.981
Property and equipment	11	159.739	156.033
Intangible assets		194.454	147.599
- Other intangible assets	12	57.576	47.900
- Goodwill	13	136.878	99.699
Prepayments	10	114	106
Deferred tax assets	30	1.880	7.145
Total non-current assets		**358.598**	**313.864**
TOTAL ASSETS		**1.343.910**	**1.075.243**

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 2019

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

	Notes	Audited 31 January 2019	Audited 31 January 2018
LIABILITIES			
Current liabilities			
Short term borrowings	5	79.742	180.306
Short portion of long term borrowings	5	204.317	128.793
Trade payables		510.284	366.455
- Due to related parties	6	*155.105*	*122.672*
- Due to third parties	7	*355.179*	*243.783*
Payables to employees	18	32.512	18.081
Other payables		16.534	13.619
- Due to related parties	6	*10.330*	*7.420*
- Due to third parties	8	*6.204*	*6.199*
Deferred revenue	10	17.086	14.566
Provisions		13.034	9.767
- Provisions for employee benefits	15	*2.679*	*2.359*
- Other provisions	15	*10.355*	*7.408*
Derivatives	32	9.577	235
Current tax liabilities	30	2.732	4.476
Other current liabilities	19	11.116	5.879
Total current liabilities		**896.934**	**742.177**
Non-current liabilities			
Loans and borrowings	5	91.985	68.736
Deferred revenue	10	119	641
Provisions		5.018	4.741
- Provisions for employee benefits	15,17	*5.018*	*4.741*
Deferred tax liabilities	30	12.686	11.767
Total non-current liabilities		**109.808**	**85.885**
TOTAL LIABILITIES		**1.006.742**	**828.062**

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 2019
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	**Audited 31 January 2019**	**Audited 31 January 2018**
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 income/expense not to be reclassified to profit or loss		(4.460)	(5.145)
Remeasurement of defined benefit liability		*(4.460)*	*(5.145)*
Other comprehensive income/expense to be reclassified to profit or loss		56.477	25.966
Foreign currency translation reserve		*63.935*	*25.310*
Hedging reserve		*(7.458)*	*656*
Legal reserves		19.771	17.427
Retained earnings		156.569	111.717
Net Income		91.517	85.871
Non-controlling interests		**3.394**	**(2.555)**
Total equity		**337.168**	**247.181**
TOTAL EQUITY AND LIABILITIES		**1.343.910**	**1.075.243**

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 2019
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	**Audited 1 February 2018 – 31 January 2019**	**Audited 1 February 2017 – 31 January 2018**
Revenue	*21*	2.352.850	1.781.656
Cost of sales	*22*	(1.144.905)	(875.313)
Gross profit		**1.207.945**	**906.343**
Administrative expenses	*23*	(128.097)	(100.317)
Selling, marketing and distribution expenses	*23*	(762.145)	(594.042)
Research and development expenses	*24*	(22.448)	(23.058)
Other operating income	*25*	12.243	4.925
Other operating expenses	*25*	(10.026)	(1.498)
Operating profit		**297.472**	**192.353**
Gains from investment activities	*26*	--	39
Losses from investment activities	*26*	(359)	--
Operating profit before financial income		**297.113**	**192.392**
Finance income	*28*	4.869	1.830
Finance costs	*29*	(169.629)	(81.981)
Net finance costs		**(164.760)**	**(80.151)**
Profit before tax		**132.353**	**112.241**
Income tax expense	*30*	**(31.579)**	**(22.239)**
- Tax expense		(27.625)	(23.936)
- Deferred tax income / expense		(3.954)	1.697
Profit		**100.774**	**90.002**
Non-controlling interests		9.257	4.131
Owners of the Company		91.517	85.871
Earnings per share			
Basic earnings per share (full TL)	*31*	**1,8430**	**1,7293**
Diluted earnings per share (full TL)	*31*	**1,8430**	**1,7293**
Earnings before interest, tax, depreciation and amortization (EBITDA)	*37*	**367.130**	**252.087**

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 2019

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

	Notes	**Audited 1 February 2018 – 31 January 2019**	**Audited 1 February 2017 – 31 January 2018**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability		878	(877)
- Related tax	*30*	(193)	193
Items that are or may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		36.859	16.737
Cash flow hedging reserves		(10.403)	841
- Related tax	*30*	2.289	(185)
Other comprehensive income net of tax		**29.430**	**16.709**
Total comprehensive income		**130.204**	**106.711**
Total comprehensive income attributable to:			
Non-controlling interests		7.491	5.680
Owners of the Company		122.713	101.031

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 2019

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

				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**				
	Share capital	**Legal reserves**	**Purchase of share of entities under common control**	**Remeasurements of defined benefit liability**	**Other reserve**	**Foreign currency translation reserve**	**Hedging reserve**	**Retained earnings**	**Net profit**	**Attributable to owners of the Company**	**Attributable to non-controlling interest**	**Total equity**
Balance as at 1 February 2017	**49.657**	**17.427**	**(35.757)**	**(4.461)**	**(4.080)**	**10.122**	**--**	**65.733**	**50.064**	**148.705**	**(8.235)**	**140.470**
Transfers	--	--	--	--	--	--	--	50.064	(50.064)	--	--	--
Acquisition of NCI	--	--	--	--	4.080	--	--	(4.080)	--	--	--	--
Total comprehensive income	--	--	--	(684)	--	15.188	656	--	85.871	101.031	5.680	106.711
Total balance as at 31 January 2018	**49.657**	**17.427**	**(35.757)**	**(5.145)**	**--**	**25.310**	**656**	**111.717**	**85.871**	**249.736**	**(2.555)**	**247.181**
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 2.5)	--	--	--	--	--	--	--	(12.965)	--	(12.965)	(1.542)	(14.507)
Dividend payment	--	2.344	--	--	--	--	--	(28.269)	--	(25.925)	--	(25.925)
Amendments to IFRS 9 (Note 2.3)	--	--	--	--	--	--	--	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**

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 2019

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

Cash flow from operating activities	Notes	Audited 31 January 2019	Audited 31 January 2018
Net profit for the year		**100.774**	**90.002**
Depreciation and amortization expense	*11,12*	69.723	61.893
Finance income	*28*	(4.665)	(1.024)
Finance cost	*29*	114.554	68.981
Provision for unused vacation	*15*	690	865
Provision for employee severance indemnity	*17*	4.963	3.611
Fair value change of derivatives	*29*	45.774	7.329
Impairment loss on receivables	*34*	330	(292)
Expected credit losses corrections		392	--
Inventory obsolescence, reversals	*9*	(1.913)	(4.018)
Loss on disposal of property and equipment, net	*26*	359	(39)
Tax expense	*30*	31.579	22.239
Unrealized currency translation difference		(8.905)	8.639
		353.655	**258.186**
Changes in:			
Change in trade receivables		(59.680)	(7.491)
Change in inventory		(136.493)	(29.117)
Change in prepaid expenses		(14.635)	(3.008)
Change in receivables from related parties		--	4.059
Change in other receivables		7.682	(3.663)
Change in other current and non-current assets		(8.894)	2.421
Change in employee benefits liabilities		14.431	3.232
Change in trade payables		111.396	53.008
Change in payables to related parties		32.433	13.941
Change in deferred revenue		1.998	3.103
Change in other payables		5	(32)
Change in short term and long term provisions		2.947	(1.063)
Change in other liabilities		5.240	(3.866)
		310.085	**289.710**
Employee benefits paid	*15,17*	(4.547)	(3.661)
Income tax paid	*30*	(44.991)	(19.009)
Net cash from operating activities		**260.547**	**267.040**
Cash flows from investing activities			
Acquisition of tangible assets	*11*	(57.088)	(69.250)
Proceeds from sale of tangible assets		393	910
Acquisition of intangible assets	*12*	(9.007)	(3.517)
Acquisition of subsidiary, net of cash acquired		(14.507)	(58.366)
Interest received	*28*	4.681	1.024
Net cash flow used in investing activities		**(75.528)**	**(129.199)**
Proceeds from loans and borrowings		294.152	92.227
Repayment of loans and borrowings		(303.798)	(53.267)
Proceeds of settlement of derivatives		(41.409)	235
Other financial payments	*29*	(68.347)	(37.951)
Dividend paid		(25.925)	--
Interest paid		(40.143)	(31.443)
Net cash flow used in financing activities		**(185.470)**	**(30.199)**
Net increase in cash and cash equivalent		**(451)**	**107.642**
Cash and cash equivalents at the beginning of the year	*4*	**262.474**	**154.832**
Cash and cash equivalents at the end of the year	*4*	**262.023**	**262.474**

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 Financial Statements
As at and for the year ended 31 January 2019

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

Notes to the consolidated financial statements

(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, Berlin, Zurich, Salzburg, Prague, Brussels, Almere, Moscow, New York, New Jersey, Los Angeles, Atlanta, Dallas, Chicago, Vancouver, Toronto and Montreal.

Shares of the Company has been traded at Borsa Istanbul ("BIST") since 15 June 2017. As of 31 January 2019, 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 2018: Blue International Holding B.V. 27,41%). As a result of the transfer of shares to Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar on 07/11/2018, Blue International Holding B.V.'s ownership interest in the Company's share capital was reduced to 0,22%. 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 2019 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 2019 and 2018 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding %	
			31 January 2019	31 January 2018
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(1)	Canada	Wholesale and retail sales of apparel	63,25	38,25
Mavi Kazakhstan (2)	Kazakhstan	Retail sales of apparel	100,00	100,00

(1) Shares representing 25% of Mavi Canada's capital were purchased on 21 May 2018.(Note 2.6)

(2) 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 2019.

As of 31 January 2019, Group's total number of employees is 3.911 (31 January 2018: 3.605).

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 14 March 2019. General Assembly has 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 2.3 (t).

(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")
Mavi Kazakhstan	Kazakhstan Tenge ("KZT")
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 and 21 — 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.
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 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:

σ Mavi Russia, Mavi Nederland and Mavi Europe are fully consolidated without non-controlling interest.
σ 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 the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognized in profit, or loss immediately.

The acquirer shall recognise goodwill as of the acquisition date measured as the excess of (a) over (b) below:

a) the aggregate of:
(i) the consideration transferred measured in accordance with this IFRS, which generally requires acquisition-date fair value
(ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and
(iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this IFRS.

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

2.2 Basis of consolidation ***(continued)***

(a) Business combinations ***(continued)***

Any contingent consideration is measured at fair value at the date of acquisition. Subsequent changes in the fair value of the contingent consideration are recognized in the profit or loss except the new information is obtained about facts and circumstances that existed as of the acquisition date accounted on goodwill. The identifiable assets and liabilities, the consideration transferred and the resulting goodwill may change during the measurement period.

(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 to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities are measured at fair value in foreign currency are translated into functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured on historical costs in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit, or loss.

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

2.2 Basis of consolidation ***(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, CAD or KZT 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 2019	31 January 2018
TL / EUR	6,0339	4,6824
TL / USD	5,2781	3,7795
TL / RUB	0,0795	0,0667
TL / KZT	0,0137	0,0119
TL / CAD	3,9804	3,0578

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

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
TL / EUR	5,8358	4,5884
TL / USD	4,9929	3,7680
TL / RUB	0,0775	0,0661
TL / KZT	0.0142	0,0112
TL / CAD	3,8179	3,0228

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

2.3 Summary of significant accounting policiesi

(a) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments. The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance retained earnings:

	1 February 2018 - IFRS 9 Standard impact
Retained earnings	
IFRS 9 : Effect of fair value of trade receivables	1.004
IFRS 9 : Effect of expected credit loss	(729)
Tax effect	(60)
Opening balance due to IFRS 9 (1 February 2018)	**215**

The details of IFRS 9 accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through other comprehensive income ("FVOCI")– debt investment; FVOCI – equity investment; or Fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

- σ It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- σ Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- σ It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- σ 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. This includes all derivative financial assets. 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.

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

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

(a) IFRS 9 Financial Instruments *(continued)*

i. Classification and measurement of financial assets and financial liabilities (continued)

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

- The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 February 2018 relates solely to the new impairment requirements, as described further below.
The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 February 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	266.280	266.280
Trade receivables	Loans and receivables	Amortised cost	112.996	113.271
Other Receivables	Loans and receivables	Amortised cost	37.363	37.363

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

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

(a) IFRS 9 Financial Instruments *(continued)*

ii. Impairment of financial assets

New impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.
The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under IFRS 9, loss allowances are measured on either of the following bases:

- Financial assets measured at amortized cost;
  The Group measures loss allowances at an amount equal to lifetime Expected credit or losses ("ECL"), except for the following, which are measured as 12-month ECLs:
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- When determining whether the credit risk of a financial asset has increased significantly since initial recognition and
- when estimating ECLs, 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 a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade.
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
ECLs are discounted at the effective interest rate of the financial asset.
The Group uses a simplified approach for calculating expected credit losses as defined in IFRS 9 for trade receivables, other receivables, other assets and contract assets (IFRS 9 requires the use of expected life impairments for all trade receivables).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. 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 amortised cost are deducted from the gross carrying amount of the assets.

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

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

(a) IFRS 9 Financial Instruments *(continued)*

ii. Impairment of financial assets (continued)

Impairment

For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.
Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI.
Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. Since 1 February 2018, there is no effect on the provision for impairment of the new model in accordance with IFRS 9.

Transition

The Company has used the exception to the restatement of comparative information for prior periods in respect of classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities arising from the application of IFRS 9 were recognized in retained earnings as of 1 February 2018. Accordingly, information presented for the year ending 31 January 2018 is generally prepared in accordance with IAS 39, not IFRS 9.

(b) Property and equipment

(i) 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.

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.
Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.
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.

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

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

(b) Property and equipment ***(continued)***

(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

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

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.

(iii) Amortisation

Except for goodwill, customer relationship and 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.

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

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

(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) Impairment

(i) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. 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.

(f) 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 due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. Such payments are calculated on the basis of 30 days' pay, limited to a maximum of TL 6.018 at 31 January 2019 (31 January 2018: TL 5.002) per year of employment at the rate of pay applicable at the date of retirement or termination. Employee benefits represent the present value of the estimated future probable obligation of the Company arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. Severance payment provisions are not subject to legal funding.

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

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

(f) Employee benefits ***(continued)***

(i) Long term employee benefits (continued)

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 average wages of two unemployed months from the Group company.

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 employees, as of 31 January 2019, and 2018 basic assumptions are presented as follows:

	31 January 2019	31 January 2018
	%	%
Discount rate	5,45	3,74
Inflation rate	10,00	7,00

The actuarial gains/losses are recognised under other comprehensive income.

The Group has not recorded any reserve for employee severance payments for its employees in foreign subsidiaries 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. Group are 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.

(g) 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.

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

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

(h) 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.
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.

(i) IFRS 15 "Revenue from contracts with customers"

Goods sold

In accordance with IFRS 15, effective from 1 January 2018, a five-stage approach is followed in recognizing revenue from sales for all contracts with customers.

σ Identify the contract with a customer
σ Identify the performance obligations in the contract
σ Determine the transaction price
σ Allocate the transaction price to the performance obligations in the contract
σ Recognize revenue when or as the entity satisfies a performance obligation

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

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

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

Goods sold (continued)

The Group's significant accounting policies for the recognition of revenue for goods sold and services rendered is summarized below:

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.

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. E-Commerce 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.

IFRS 15 did not have a significant impact on the Group's accounting policies with respect to revenue streams which are wholesale, retail sales, e-commerce sales revenues and discounts from suppliers.

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

2.3 Summary of significant accounting policies *(continued)*

(j) Income/(expense) from investing activities

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

(k) 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.

(l) Leasing transactions

(i) Leased assets

A lease of property, plant and equipment that transfers to the Group substantially all of the risks and rewards of ownership is classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

(ii) Operating leases

Assets held under other leases are classified as operating leases and are not recognised in the Group's consolidated statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in the consolidated profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Deferred lease inducements represents inducements provided by the landlord for leasehold improvements. The amortization of deferred lease inducements is recorded as a reduction of rent expense over the term of the lease.

(m) Research and development

The Group has a separate department which operates to research and develop new fabric and design. 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 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.

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

2.3 Summary of significant accounting policies *(continued)*

(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.

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. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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. 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.

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

2.3 Summary of significant accounting policies *(continued)*

(o) Tax *(continued)*

(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 values

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 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.

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.

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.

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

2.3 Summary of significant accounting policies *(continued)*

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

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.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. This fair value is determined for disclosure purposes or when acquired in a business combination.

(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, plant 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 excess earnings methods and replacement cost approach.

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

2.4 Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of 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.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

The revised Conceptual Framework

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.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle for applicable standards. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

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

2.4 Standards issued but not yet effective and not early adopted (continued)

Improvements to IFRSs *(continued)*

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 28- Long-term Interests in Associates and Joint Ventures

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.
The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 28.

Amendments to IFRS 9 - Prepayment Features With Negative Compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IAS 28 will have significant impact on its consolidated financial statements.

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

2.4 Standards issued but not yet effective and not early adopted ***(continued)***

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the 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. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.
The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

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. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if 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. Earlier application is permitted.

The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

2.5 Transactions with non-controlling interests

The difference between the total acquisition amount and the share of the net assets in the financial statements prepared in accordance with IFRS of Mavi Canada, 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

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3 Operating segments

	1 February 2018- 31 January 2019			1 February 2017- 31 January 2018		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Segment revenue [1]	**1.914.936**	**437.914**	**2.352.850**	**1.453.145**	**328.511**	**1.781.656**
-Retail	1.470.613	60.660	1.531.273	1.132.652	49.820	1.182.472
-Wholesale	400.879	342.578	743.457	297.855	262.809	560.664
-E-commerce	43.444	34.676	78.120	22.638	15.882	38.520
Segment profit before tax	**109.286**	**23.067**	**132.353**	**101.796**	**10.445**	**112.241**
	31 January 2019			**31 January 2018**		
	Reportable segment			**Reportable segment**		
	Turkey	**International**	**Total**	**Turkey**	**International**	**Total**
Total segment assets	**1.100.349**	**243.561**	**1.343.910**	**969.900**	**105.343**	**1.075.243**
Total segment liabilities	**821.701**	**185.041**	**1.006.742**	**711.002**	**117.060**	**828.062**

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 2019 and 2018 cash and cash equivalents comprises the following:

	31 January 2019	31 January 2018
Cash on hand	1.885	1.243
Cash at banks	129.636	153.898
Demand deposits	*21.831*	*37.972*
Time deposits	*107.805*	*115.926*
Other cash and cash equivalents	135.050	111.139
Cash and cash equivalents in the statement of consolidated financial statement	**266.571**	**266.280**
Bank overdrafts	(4.548)	(3.806)
Cash and cash equivalents in the statement of consolidated cash flows	**262.023**	**262.474**

As at 31 January 2019 and 2018, 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 2019 and 2018, the details of time deposits based on maturity dates and interest rates of the Groups are as below:

	Maturity	Interest rate	31 January 2019
USD	1 February 2019	3,35%	70.938
EUR	1 February 2019	0,75%	36.867
			107.805

	Maturity	Interest rate	31 January 2018
TL	1 February 2018	13,00%	61.203
USD	1 February 2018	1,00%-1,80%	30.112
EUR	1 February 2018	0,75%	24.611
			115.926

As at 31 January 2019 and 2018, 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 2019 and 2018, financial borrowings comprise the following:

	31 January 2019	31 January 2018
Current liabilities		
Unsecured bank loans	75.194	176.465
Secured bank loans	--	35
Current portion of unsecured bank loans	204.317	128.793
Bank overdraft (Note 4)	4.548	3.806
	284.059	**309.099**
Non-current liabilities		
Unsecured bank loans	91.985	68.736
	91.985	**68.736**

5 Loans and borrowings *(continued)*

As at 31 January 2019 and 2018 loan and borrowings comprised the following:

	31 January 2019	31 January 2018
Bank loans	376.044	377.835
	376.044	**377.835**

As at 31 January 2019 and 2018 the repayments of loan agreements according to the original maturities comprised the following:

	31 January 2019	31 January 2018
Less than one year	284.059	309.099
One to two years	79.869	61.396
Two to three years	11.877	7.000
Three to four years	239	340
	376.044	**377.835**

As of 31 January 2019 and 2018 maturities and conditions of outstanding loans comprised the following:

	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.

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

5 Loans and borrowings *(continued)*

	31 January 2018				
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0,00%-2,99%	2018-2019	36.247	36.541
Unsecured bank loans	TL	0,00%-18,13%	2018-2020	288.541	289.651
Unsecured bank loans	USD	4,05%-4,69%	2018-2021	50.763	51.126
Unsecured bank loans	CAD	3,45%	2018	482	482
Secured bank loans	CAD	0,00%	2020	35	35
				376.068	**377.835**

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 2019, 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 2019	31 January 2018
Prepayments given to related parties		
Erak Giyim Sanayi Ticaret A.Ş.("Erak")(1)	20.949	14.908
	20.949	**14.908**

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

	31 January 2019	31 January 2018
Due to related parties		
Erak(1)	149.035	111.841
Akay Lelmalabis Elgazhizah LLC ("Akay")(2)	6.070	10.579
Kitsh Apparel Inc. ("Kitsh Apparel Inc.")	--	252
	155.105	**122.672**

(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.

6 Related party *(continued)*

(a) Related party balances *(continued)*

As at 31 January 2019 and 31 January 2018, other short term payables to related parties comprised the following:

	31 January 2019	31 January 2018
Other payables to related parties		
Eflatun Giyim shareholders(1)	10.330	7.420
Short term other payables to related parties	**10.330**	**7.420**

(1) Payables to Eflatun Giyim shareholders mainly comprised of contingent payables due to the acquisition of Eflatun Giyim.

(b) Related party transactions

For the years ended 31 January 2019 and 2018, purchases from related parties of the Group comprised the following:

	31 January 2019	31 January 2018
Purchase from related parties		
Erak	393.662	319.149
Akay	92.376	48.679
	486.038	**367.828**

Purchases from related parties comprise approximately one third of total purchases.

For the years ended 31 January 2019 and 2018, the services given to related parties of the Group comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Services given to related parties		
Mavi LLC	--	34
	--	**34**

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

6 Related party *(continued)*

(b) Related party transactions ***(continued)***

For the years ended 31 January 2019 and 2018, the services from related parties of the Group comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Services from related parties		
Erak[1]	1.490	1.123
CM Objekt Heusenstamm GBR[2]	979	685
Mavi Jeans Holding Inc.[4]	742	553
Sylvia House Inc.[3]	678	537
Erma	--	3
	3.889	**2.901**

[1] The Group rented Çerkezköy and Bayrampaşa retail stores from Erak.
[2] Mavi Europe rented its office from CM Objekt Heusenstamm GBR.
[3] Mavi Canada rented its office in Yaletown, Vancouver from Sylvia House Inc.
[4] Mavi Canada rented its Office and warehouse from Mavi Jeans Holding Inc.

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

For the years ended 31 January, short term benefits provided to senior management and board of directors amounted to TL 44.160 (31 January 2018: TL 32.160).

For the years ended 31 January, the Group does not have any payables to any board of director or key management personnel of the Group.

7 Trade receivables and payables

Short term trade receivables

As at 31 January 2019 and 31 January 2018, short term trade receivables are as follows:

	31 January 2019	31 January 2018
Trade receivables from third parties	168.593	112.996
	168.593	**112.996**

7 Trade receivables and payables *(continued)*

Short term trade receivables ***(continued)***

As at 31 January 2019 and 31 January 2018, short term trade receivables from others are as follows:

	31 January 2019	31 January 2018
Trade receivables	137.955	102.414
Post-dated cheques	10.736	7.319
Endorsed cheques	3.082	3.263
Notes receivables	18.007	--
Expected credit losses	(1.187)	--
Doubtful receivables	16.578	12.762
Allowance for doubtful receivables (-)	(16.578)	(12.762)
	168.593	**112.996**

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 2019 and 31 January 2018, short term trade payables of the Group are as follows:

	31 January 2019	31 January 2018
Trade payables to third parties	355.179	243.783
Trade payables to related parties	155.105	122.672
	510.284	**366.455**

As at 31 January 2019 and 31 January 2018, short term trade payables from others are as follows:

	31 January 2019	31 January 2018
Trade payables to third parties[1]	346.196	235.394
Expense accruals	8.983	8.389
	355.179	**243.783**

Trade payables comprises of the unpaid amounts of trade purchases and ongoing expenditures.
[1] Trade payables to third parties comprise factoring payables amounting TL 51.239
(31 January 2018: TL 77.708).
The Group's exposure to foreign currency and liquidity risk for short term trade payables are disclosed in Note 34.

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

8 Other receivables and payables

Other short term trade receivables

As at 31 January 2019 and 2018, short term other receivables of the Group are as follows:

	31 January 2019	31 January 2018
Other receivables from third parties	17.059	24.187
	17.059	**24.187**

As at 31 January 2019 and 2018, short term other receivables from third parties of the Group are as follows:

	31 January 2019	31 January 2018
Receivables from public institutions [1]	14.880	23.287
Other short term receivables	2.179	900
	17.059	**24.187**

[1] Receivables from public institutions consist of the Group's receivables related to Turquality incentive program amounting to TL 3.369 (31 January 2018: TL 4.969) and value added tax receivables amounting to TL 11.377 (31 January 2018: TL 17.064).

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 2019 and 2018, long term other receivables of the Group are as follows:

	31 January 2019	31 January 2018
Other receivables from third parties	2.411	2.981
	2.411	**2.981**

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 2019 and 2018, short term other payables of the Group are as follows:

	31 January 2019	31 January 2018
Other payables to related parties (Note 6)	10.330	7.420
Other payables to third parties	6.204	6.199
	16.534	**13.619**

As at 31 January 2019 and 2018, other payables to third parties of the Group are as follows:

	31 January 2019	31 January 2018
Taxes and duties payable	6.198	5.512
Other payables	6	687
	6.204	**6.199**

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 2019 and 2018, inventories are as follows:

	31 January 2019	31 January 2018
Trade goods	436.004	319.373
Consignment trade goods	29.999	11.746
Goods in transit	6.293	4.688
Provision for impairment on inventory (-)	(15.067)	(15.456)
	457.229	**320.351**

As at 31 January 2019 there is no pledge on inventories (31 January 2018: nil).

9 Inventories *(continued)*

As at 31 January 2019 and 2018, the provision for impairment on inventory is as follows:

	31 January 2019	31 January 2018
Opening balance	15.456	18.845
Provision for the year	19.026	10.553
Provision cancellations	(1.625)	--
Write-off	(19.314)	(14.571)
Effect of movements in exchange rates	1.524	629
Closing balance	**15.067**	**15.456**

As of the year ending on 31 January 2019, inventories of TL 19.026 (31 January 2018: TL 10.553) 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, during the year ended on 31 January 2019, inventories of TL 19.314 (31 January 2018; TL 14.571) were disposed and written off.

10 Prepayments and deferred revenues

Prepayments

As at 31 January 2019 and 2018, the remaining balance of prepayments under current and non-current assets is as follows:

	31 January 2019	31 January 2018
Advances given(1)	25.105	16.807
Prepaid advertising and marketing expenses	5.823	1.752
Prepaid rent expenses	2.468	2.134
Prepaid stamp tax and duties expenses	534	568
Prepaid insurance expenses	479	727
Other prepaid expenses	3.690	1.476
Total prepaid expenses	**38.099**	**23.464**
Long term prepaid expenses	**114**	**106**
Short term prepaid expenses	**37.985**	**23.358**

(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 2019 and 2018, deferred revenue of the Group are as follows:

	31 January 2019	31 January 2018
Customer loyalty claims(1)	14.923	12.625
Corporate sales (2)	1.671	1.568
Salary protocol	356	889
Rent income	255	125
Total deferred revenue	**17.205**	**15.207**
Short term deferred revenue	**17.086**	**14.566**
Long term deferred revenue	**119**	**641**

(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 2019 and 31 January 2018 is as follows:

	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost					
1 February 2017 opening balance	**241**	**163.281**	**138.193**	**699**	**302.414**
Effect of movements in exchange rates	3	1.201	3.435	--	4.639
Additions	--	38.039	22.902	8.309	69.250
Disposals	--	(280)	(1.964)	--	(2.244)
Transfers[1]	--	5.610	3.348	(9.008)	(50)
31 January 2018 closing balance	**244**	**207.851**	**165.914**	**--**	**374.009**
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] Transfers of TL 28 as at 31 January 2019, and TL 50 as at 31 January 2018 are related to transfers to intangible assets.

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11 Property and equipment *(continued)*

The movement of property and equipment for the year ended 31 January 2019 and 2018 is as follows:

	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Accumulated Depreciation					
1 February 2017 opening balance	**71**	**94.509**	**71.255**	**--**	**165.835**
Effect of movements in exchange rates	--	917	1.842	--	2.759
Depreciation for the year	48	26.319	24.391	--	50.758
Disposals	--	(192)	(1.184)	--	(1.376)
31 January 2018 closing balance	**119**	**121.553**	**96.304**	**--**	**217.976**
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**
31 January 2018 carrying amount	**125**	**86.298**	**69.610**	**--**	**156.033**
31 January 2019 carrying amount	**49**	**91.567**	**65.452**	**2.671**	**159.739**

For the year ended 31 January 2019, TL 4.829 (and for the year ended 31 January 2018: TL 4.331) of depreciation expenses are included under administrative expenses, TL 51.871 (31 January 2018: TL 45.958) under selling and marketing expenses and TL 479 (31 January 2018: TL 469) under research and development expenses.

As of 31 January 2019, there is no pledge on property and equipment (31 January 2018: nil).

As at 31 January 2019 the amount of insurance on property and equipment is TL 323.309 (31 January 2018: TL 270.937).

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12 Intangible assets

The movement of intangible assets as at 31 January 2019 and 2018 are as follows:

Cost	Licenses	Customer relationships	Brand	Development Costs[1]	Total
1 February 2017 balance	**43.365**	**44.072**	**923**	**--**	**88.360**
Additions	3.517	--	--	--	3.517
Effect of movements in exchange rates	333	(1)	--	--	332
Transfers	50	--	--	--	50
Disposals	(7)	--	--	--	(7)
31 January 2018 balance	**47.258**	**44.071**	**923**	**--**	**92.252**
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]Consist of capitalized design and development expensesin accordance with incentive programme.

Amortisation	Licenses	Customer relationships	Brand	Development Costs	Total
1 February 2017 balance	**27.974**	**4.795**	**40**	--	**32.809**
Current year amortisation	6.909	4.140	86	--	11.135
Effect of movements in exchange rates	215	197	--	--	412
Disposals	(4)	--	--	--	(4)
31 January 2018 balance	**35.094**	**9.132**	**126**	**--**	**44.352**
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**
Carrying amount					
31 January 2018 balance	**12.164**	**34.939**	**797**	**--**	**47.900**
31 January 2019 balance	**10.479**	**42.194**	**711**	**4.192**	**57.576**

For the year ended 31 January 2019, TL 10.393 (31 January 2018: TL 8.663) of amortisation expenses are included under general administrative expenses and TL 1.990 (31 January 2018: TL 2.472) under selling and marketing expenses, and TL 161 (31 January 2018: TL nil) under research and development expenses.

13 Goodwill

The movement of goodwill as at 31 January 2019 and 2018 is as follows:

Cost	31 January 2019	31 January 2018
As of 1 February	**100.996**	**101.769**
Effect of movements in exchange rates	37.179	(773)
As of 31 January	**138.175**	**100.996**
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	**136.878**	**99.699**

Impairment test for cash generating units with allocated goodwill

Goodwill is allocated to cash generating units for impairment test purposes. As of 31 January 2019 and 2018, 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 2019	31 January 2018
Mavi America	121.163	86.762
Mavi Canada	11.982	9.204
Other	3.733	3.733
	136.878	**99.699**

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 2019 and 2018. The income approach (discounted cash flow method) is used to determine the fair value of CGUs of 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 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 10,1%, 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 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 10,1%.

Terminal growth rate

Mavi USA and Mavi Canada has five years cash flows included in their discounted cash flow models. A long term growth rate into perpetuity has been determined as the lower nominal GDP rates for USA and Canada in which Mavi USA and Mavi Canada is based 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.

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13 Goodwill *(continued)*

Mavi USA operations

In percent	31 January 2019	31 January 2018
Discount rate in USD	%12,2	%10,6
Terminal value growth rate	%1,8	%2,3
Budgeted EBITDA margin (at terminal value)	%18,6	%17,2

Mavi Canada operations

In percent	31 January 2019	31 January 2018
Discount rate in CAD	%10,1	%10,1
Terminal value growth rate	%2,2	%2,0
Budgeted EBITDA margin (at terminal value)	%12,0	%9,6

Mavi Canada

As of 31 January 2019, estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 43.418. 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 15.9% 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 10,3% decrease in EBITDA / net sales ratio.

Mavi USA

As of 31 January 2019, estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 16.750. 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 1,5% 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 1,4% decrease in EBITDA / net sales ratio.

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14 Operating leases

Leases as lessee

For the years ended 31 January 2019 and 2018, total minimum lease payments pursuant to leases are as follows:

	31 January 2019	31 January 2018
Less than one year	229.708	215.964
1-5 year	894.494	516.049
More than 5 years	128.282	70.285
	1.252.484	**802.298**

Group has leased retail stores and its head office through an operating lease.
Group has recognized expenses related to operating leases amounting to TL 303.783 (31 January 2018: TL 231.159) in the statement of profit or loss and other comprehensive income.

15 Provisions, contingent assets and liabilities

Short term provisions

As at 31 January 2019 and 2018, short term provisions are as follows:

	31 January 2019	31 January 2018
Provision for employee benefits	2.679	2.359
Other short term provisions	10.355	7.408
	13.034	**9.767**

Short term provision for employee benefits consists of provision for vacation pay liability. For the years ended 31 January 2019 and 31 January 2018, the movement of provision for vacation liability is as follows:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
1 February balance	2.359	2.159
Effect of movements in exchange rates	243	61
Paid benefits	(613)	(726)
Current period provision	690	865
31 January balance	**2.679**	**2.359**

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

15 Provisions, contingent assets and liabilities *(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 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 2019 and 2018, the movement of other short term provisions is as follows:

	31 January 2019	31 January 2018
Return provision	5.014	4.728
Legal provision	1.863	1.585
Other provisions	3.478	1.095
	10.355	**7.408**

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15 Provisions, contingent assets and liabilities *(continued)*

Short term provisions

For the years ended 31 January 2019 and 2018, the movement of short term provision is as follows:

	Legal provision[1]	Return provisions	Other provision	Total
1 February 2017 balance	**1.892**	**4.817**	**1.762**	**8.471**
Current year provision	268	253	1.095	1.616
Effect of movements in exchange rates	--	275	83	358
Provisions used during year	--	(109)	(895)	(1.004)
Provision cancellations	(575)	(508)	(950)	(2.033)
31 January 2018 balance	**1.585**	**4.728**	**1.095**	**7.408**
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] Legal provisions mainly comprise of labour lawsuits.

Long term provisions

For the years ended 31 January 2019 and 2018, the movement of long term provisions is as follows:

	31 January 2019	31 January 2018
Long term provisions for employee benefits	5.018	4.741
	5.018	**4.741**

Long term employee benefits consist of severance pay liabilities. The details of severance pay liability are disclosed in Note 17.

16 Commitments

(a) Warranties, pledges and mortgages

As of 31 January 2019 and 2018, the Group's guarantee / pledge / mortgage ("GPM") position statement is as follows:

	31 January 2019					
	TL Equivalent	TL	EUR	RUB	USD	CAD
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)*

	31 January 2018					
	TL Equivalent	TL	EUR	RUB	USD	CAD
A. On behalf of its own legal personality of the total amount of GPMs	**79.391**	**5.082**	**12.446**	**--**	**4.217**	**--**
Guarantee	79.391	5.082	12.446	--	4.217	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	**1.059**	**--**	**15**	**14.241**	**--**	**12**
Guarantee	1.024	--	15	14.241	--	--
Pledge	--	--	--	--	--	--
Mortgage	35	--	--	--	--	12
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	**80.450**	**5.082**	**12.461**	**14.241**	**4.217**	**12**

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16 Commitments *(continued)*

(a) Warranties, pledges and mortgages *(continued)*

As of 31 January 2019, ratio of CPM given by the Group to equity was 0% (31 January 2018: 0%).

As of 31 January 2019, letter of guarantees given to third parties for the amount of TL 15.343 are representing guarantees given to Eximbank for the purpose of importing goods (31 January 2018: TL 30.269).

The Group has purchase commitments related to inventory amounting to TL 576.921 as of 31 January 2019 (31 January 2018:

TL 313.697).

(b) Guarantees received

As of 31 January 2019, Group has received letter of guarantees for the amount of TL 7.502 as in the form of security (31 January 2018: TL 7.588).

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 6.018 at 31 January 2019 (31 January 2018: TL 5.002) 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 2019 and 2018, 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 2019	31 January 2018
Discount rate (%)	5,45	3,74
Estimated inflation (%)	10,00	7,00

All actuarial gain and losses are recognized in other comprehensive income.

17 Employee benefits *(continued)*

Provision for employment termination benefits ***(continued)***

For the years ended 31 January 2019 and 2018 the movement of provision for severance pay liability is as follows:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Opening balance	4.741	3.151
Interest cost	422	276
Service cost	4.541	3.335
Paid benefits	(3.934)	(2.935)
Effect of movements in exchange rates	126	37
Actuarial difference	(878)	877
Ending balance	**5.018**	**4.741**

18 Payables to employees

As at 31 January 2019 and 2018 payables to employees are as follows:

	31 January 2019	31 January 2018
Payables to personnel(1)	28.071	14.093
Social security premiums payable	4.441	3.988
	32.512	**18.081**

(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 2019 and 2018, other current assets are as follows:

	31 January 2019	31 January 2018
Transferred value added tax ("VAT")	22.070	13.176
	22.070	**13.176**

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19 Other asset and liabilities *(continued)*

Other current liabilities

As at 31 January 2019 and 2018, other current liabilities are as follows:

	31 January 2019	31 January 2018
Advances received	11.116	5.320
VAT payable	--	559
	11.116	**5.879**

20 Capital, reserves and other capital reserves

Paid-in capital

As at 31 January 2019 and 2018, paid capital is as follows:

	%	31 January 2019	%	31 January 2018
Akarlılar Family	27,19	13.500	--	--
Blue International	0,22	108	27,41	13.608
Publicly held	72,60	36.049	72,59	36.049
	100,00	**49.657**	**100,00**	**49.657**

As of 31 January 2019 paid-in capital of the Company comprises 49.657.000 shares issued of TL 1 each (31 January 2018: 49.657.000 shares).

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.

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20 Capital, reserves and other capital reserves *(continued)*

Paid-in capital ***(continued)***

-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.

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 TL 245.000.000.-, 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 2019, the Company's legal reserves are amounting to TL 19.771 (31 January 2018: TL 17.427).

20 Capital, reserves and other capital reserves *(continued)*

Paid-in capital ***(continued)***

Dividends

As of 31 January 2019, the Group has distributed dividends amounting TL 25.925 (2018: nil) from distributable 2018 consolidated net income.

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 2019 and 2018, revenue comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Sales of goods	2.350.333	1.779.071
Service revenue[(1)]	2.517	2.585
	2.352.850	**1.781.656**

[(1)] Service revenue mainly comprised royalty.

22 Cost of sales

For the years ended 31 January 2019 and 2018, cost of sales comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Cost of goods sold	1.144.905	875.313
	1.144.905	**875.313**

23 Administrative expenses, selling and marketing expenses

For the years ended 31 January 2019 and 2018, administrative expenses comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Personnel expenses	77.567	58.871
Depreciation and amortization expenses (Note 11, 12)	15.222	12.994
Rent expenses	10.893	9.395
Office materials expenses	4.460	3.962
Consultancy expenses	4.097	3.827
Travel expenses	3.089	2.664
General office expenses	2.643	1.616
Other	10.126	6.988
	128.097	**100.317**

For the years ended 31 January 2019 and 2018, selling and marketing expenses comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Rent expenses	292.890	221.764
Personnel expenses	250.887	201.810
Depreciation and amortization expenses (Note 11, 12)	53.861	48.430
Outsourced logistics expenses	32.594	23.578
Advertising expenses	31.091	23.743
Freight-out expenses	20.328	14.435
Travel expenses	9.342	7.540
Other	71.152	52.742
	762.145	**594.042**

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24 Research and development expenses

For the years ended 31 January 2019 and 2018, research and development expenses comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Personnel expenses	19.157	19.319
Travel expenses	1.007	1.152
Depreciation and amortization expenses (Note 11-12)	640	469
Other	1.644	2.118
	22.448	**23.058**

25 Other income and expense

For the years ended 31 January 2019 and 2018, other operating income comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Receivables and payables, interest income net	8.696	2.039
Income from expired gift cards	1.095	--
Salary protocol income	533	533
Damage compensation income (2)	178	420
Turquality income (1)	--	1.127
Foreign exchange gain and loss, net	13	379
Gain on amendments to IFRS 9	200	--
Other	1.528	427
	12.243	**4.925**

(1) Consists of income from Turquality decoration incentive program.
(2) Income from insurance claims.

For the years ended 31 January 2019 and 2018, other expenses comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Foreign exchange gain and loss, net	9.002	220
Expense related to store closings	107	907
Loss on amendments to IFRS 9	592	--
Other	325	371
	10.026	**1.498**

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26 Gains and losses from investment activities

For the years ended 31 January 2019 and 2018, gains from investment activities comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Gain on sale of fixed assets	--	39
	--	**39**

For the years ended 31 January 2019 and 2018, , losses from investment activities comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Losses on sale of fixed assets	359	--
	359	**--**

27 Expenses by nature

For the years ended 31 January 2019 and 2018, expenses by nature are as follows:

Depreciation and amortization expenses

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Selling and marketing expenses (Note 23)	53.861	48.430
Administrative expenses (Note 23)	15.222	12.994
Research and development expenses (Note 24)	640	469
	69.723	**61.893**

Expenses related to personnel

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Selling and marketing expenses (Note 23)	250.887	201.810
Administrative expense (Note 23)	77.567	58.871
Research and development (Note 24)	19.157	19.319
	347.611	**280.000**

27 Expenses by nature *(continued)*

Expenses related to personnel

For the years ended 31 January 2019 and 2018, the details of expenses related to personnel are as follows:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Wages and salaries	201.087	165.342
Bonus expense	55.009	45.510
Social security premiums	34.569	29.379
Meal expenses	15.943	13.131
Overtime expenses	10.039	7.699
Employee termination benefit expenses (Note: 15-17)	8.408	5.386
Personnel travel expenses	5.463	4.637
Other	17.093	8.916
	347.611	**280.000**

28 Finance income

For the years ended 31 January 2019 and 2018, finance income comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Interest income on:		
Time deposits	4.665	1.024
	4.665	**1.024**
Foreign exchange gain	200	806
Other	4	--
	4.869	**1.830**

29 Finance costs

For the years ended 31 January 2019 and 2018, finance costs comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Interest expense on:		
Interest expenses on purchases	52.188	25.733
Financial liabilities measured at amortised cost	46.207	31.030
	98.395	**56.763**
Change in fair value of forward contracts	45.774	7.329
Credit card commission expenses	6.669	6.489
Foreign exchange loss	9.301	5.672
Import financing expenses	8.030	4.617
Other	1.460	1.111
	169.629	**81.981**

30 Income taxes

Corporate tax

In Turkey, corporate tax rate is 22% as of 31 January 2019 (2018: 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% (2018: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2018. 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.

According to the law numbered 6824, which is Restructuring of Certain Receivables and Changes in Certain Laws and Legislative Decrees" and law numbered 193 which is Income Tax Law repealed article 121 which was published in the Official Gazette dated on March 8, 2017, tax discount which was newly regulated on tax consonant taxpayers started to implement since 01.January.2018. The Group will benefit from the upper limit of the tax allowance of 1.000.000 TL for 2017 Corporate Tax Expenditure.

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30 Income taxes *(continued)*

Corporate tax ***(continued)***

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 2019	31 January 2018
Russia	20%	20%
Germany	30%	29,72%
Netherlands	20%	20%
America	23,4%	34%
Canada	26,88%	26,3%

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.

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 U.S. levies an income tax on a corporation's "taxable income". Taxable income equals a corporation's gross worldwide income less deductions allowed under the federal income tax law. Worldwide income includes income from a business, compensation for services, rent, royalties, dividends, gain from property transactions, and partnership income. In general, corporations are permitted to deduct ordinary and necessary business expenses that are incurred in the corporation's trade or business, depreciation on business property, and certain losses related to the business. Business-related expenses are only deductible if the U.S. income tax laws do not otherwise require the expenses to be capitalized.

30 Income taxes *(continued)*

Corporate tax ***(continued)***

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.

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 0,825% (5,5 %of the corporate income tax) and municipal trade tax which varies between 7% and 17,15%. 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.

Transfer pricing

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007.

If the tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

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30 Income taxes *(continued)*

Corporate tax ***(continued)***

For the years ended 31 January 2019 and 2018, tax expense recognized in profit loss comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Current tax expense:		
Current year tax expense	(27.625)	(23.936)
	(27.625)	**(23.936)**
Deferred tax income		
Deferred tax (expense)/ income on temporary differences	(3.954)	1.697
Toplam vergi gideri	**(31.579)**	**(22.239)**

For the years ended 31 January 2019 and 2018, tax income recognized in other comprehensive income the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Tax income:		
Deferred taxes related to remeasurements of defined benefit liability	(193)	193
Tax expense:		
Foreign operations - foreign currency translation differences	(2.289)	(185)

For the years ended 31 January 2019 and 2018, the details of the current tax assets/liabilities is as follows:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Prior year prepaid taxes (taxes payable) on income, net	4.293	(5.084)
Current year tax expense	27.625	23.936
Corporate taxes paid	(44.991)	(14.559)
Total prepaid taxes (taxes payable) on income, net	**(13.073)**	**4.293**
Current tax asset	(15.805)	(183)
Current tax liabilities	2.732	4.476

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

30 Income taxes *(continued)*

Tax Expense ***(continued)***

Reconciliation of effective tax rate

The reported taxation charge for the years ended 31 January 2019 and 2018 are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	%	1 February 2018 – 31 January 2019	%	1 February 2017 – 31 January 2018
Profit for the year		**100.774**		**90.002**
Total income tax expense		(31.579)		(22.239)
Profit before tax		132.353		112.241
Income tax using domestic tax rate	(22)	(29.118)	(20)	(22.448)
Effect of tax rates in foreign jurisdictions	(0,3)	(413)	(1,6)	(1.749)
Non-deductible expenses[1]	(1,9)	(2.563)	(1,7)	(1.858)
Tax exempt income	0,7	958	0,1	74
Changes in estimates related to prior years	(0,2)	(204)	--	--
Use of put option liability	--	--	(1,7)	(1.892)
Mavi America tax adjustment	--	--	3,5	3.913
Tax incentive	--	--	0,9	1.000
Other	(0,2)	(239)	0,6	714
Current tax expense	**(23,9)**	**(31.579)**	**(19,8)**	**(22.239)**

[1]For the year ending 31 January 2019 tax effect of non-deductible expenses mainly consists of inventory counting differences amounting to TL 8.059 (31 January 2018: Inventory counting differences: TL 6.006).

Unrecognized deferred tax asset

For the year ending 31 January 2019 the Group has not have tax losses for carried forward which no deferred tax asset was recognized (31 January 2018: nil).

30 Income taxes *(continued)*

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities for the years ended 31 January 2019 and 2018 are attributable to the items detailed in the table below:

	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)
Derivative Instruments	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)**	

	31 January 2018		
	Assets	**Liabilities**	**Net amount**
Property and equipment	18.458	(21.817)	(3.359)
Intangible assets	2.416	(13.357)	(10.941)
Inventories	5.868	--	5.868
Trade and other receivables	636	(1.792)	(1.156)
Derivative Instruments	--	(185)	(185)
Trade and other payables	5.778	(1.620)	4.158
Provisions	60	--	60
Employee benefits	316	--	316
Loans and borrowings	21.384	(21.307)	77
Tax losses carried forward	688	--	688
Other temporary differences	--	(148)	(148)
Total	**55.604**	**(60.226)**	**(4.622)**
Set-off tax	**(48.459)**	**48.459**	
	7.145	**(11.767)**	

30 Income taxes *(continued)*

Deferred tax assets and deferred tax liabilities are attributable to the items detailed in the table below:

	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)
Derivative Instruments	(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)**

	1 February 2017	Recognised in profit or loss	Recognised in comprehensive income and expense	Effect of movements in exchange rates	31 January 2018
Property and equipment	(3.060)	(299)	--	--	(3.359)
Intangible assets	(12.796)	1.855	--	--	(10.941)
Inventories	3.495	2.373	--	--	5.868
Due from related parties	(69)	69	--	--	--
Trade and other receivables	(910)	(246)	--	--	(1.156)
Derivative Instruments	--	--	(185)	--	(185)
Trade and other payables	833	3.325	--	--	4.158
Provisions	682	(622)	--	--	60
Employee benefits	519	(203)	171	(171)	316
Loans and borrowings	58	19	--	--	77
Tax losses carried forward	2.945	(2.257)	--	--	688
Put option liability	1.916	(1.916)	--	--	--
Other temporary differences	(265)	(401)	--	518	(148)
	(6.652)	**1.697**	**(14)**	**347**	**(4.622)**

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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 2019 and 2018 is as follows:

	31 January 2019	31 January 2018
Net profit for the year attributable to owners of the Company	91.517	85.871
Weighted average number of ordinary shares (basic)	49.657	49.657
Earnings per ordinary share	**1,8430**	**1,7293**

32 Derivatives

As at 31 January 2019 and 2018, short term derivative assets are as follows:

	31 January 2019	31 January 2018
Liabilities from the forward exvhange contracts	(9.562)	(235)
Forward exchange contracts used for hedge accounting	--	848
Other forward exchange contracts	(15)	--
	(9.577)	**613**

As of 31 January 2019, the Group has open forward exchange contracts to hedge the foreign currency risk on inventory purchases in amount of USD 22.388 thousand in equivalent of TL 118.166 and EUR 105 in equivalent of TL 633. By applying hedge accounting, the fair value difference of TL 9.562, 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:

- σ Credit risk
- σ Liquidity risk
- σ 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 2019, the DDS limit of the Company is amounting TL 127.552 thousand (31 January 2018: 109.806 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, RUB and KZT.

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.

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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		
31 January 2019	**Related party**	**Other**	**Related party**	**Other** [(1)]	**Cash and cash equivalents** [(2)]
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)*

31 January 2018	Receivables				Cash and cash equivalents [2]
	Trade receivables		Other receivables		
	Related party	Other	Related party	Other [1]	
The maximum exposure to credit risk as financial instruments (A+B+C+D)	**--**	**112.996**	**--**	**27.168**	**265.037**
- Portion of maximum risk covered by guarantees	--	--	--	--	--
A. Net book value of financial assets that are neither past due not impaired	--	107.442	--	27.168	265.037
B. Net book value of financial assets which are overdue, but not impaired	--	5.554	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	5.145	7.617	--	--	--
- Impairment (-)	(5.145)	(7.617)	--	--	--
-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 2018	Receivables	
	Trade receivables	Other receivables
Past due between 1-30 days	2.286	--
Past due between 1-3 months	2.531	--
Past due between 3-12 months	737	--
Total past due	**5.554**	**--**

[1] Other receivables from third parties excludes deposits and guarantees given.
[2] Cash and cash equivalents exclude cash on hand.

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

Credit risk *(continued)*

Impairment

For the years ended 31 January 2019 and 2018, movement of the provision for doubtful receivables is as follows:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Balance beginning	12.762	14.037
Current year provision	386	471
Allowances no longer required	(56)	(763)
Write-offs	(91)	(1.092)
Effect of movements in exchange rates	3.577	109
Balance ending	**16.578**	**12.762**

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 2019 and 2018, maturities of financial liabilities including estimated interest payments based on repayment schedules are included below:

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**

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

Liquidity risk ***(continued)***

31 January 2018	Note	Carrying amount	Contractual cash flow	3 month or less	3-12 months	1-5 year
Non derivative financial liabilities						
Bank loans	5	377.835	399.782	199.262	119.966	80.554
Trade payables to third parties	7	243.783	240.644	211.037	29.607	--
Trade payables to related parties	6	122.672	123.095	41.568	81.527	--
Other payables to related parties	6	7.420	7.420	7.420	--	--
Payables to employees	18	18.081	18.081	18.081	--	--
Total		**769.791**	**789.022**	**477.368**	**231.100**	**80.554**

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

Market risk

Currency risk

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 2018, Mavi Turkey has trade receivables amounting to TRY 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 166.551. The amounts have been eliminated in consolidation.

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

Market risk ***(continued)***

Currency risk (continued)

As of 31 January 2018 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	6.327	1.095	--	2.188
2a. Monetary financial assets (including cash. banks)	56.148	8.177	5.374	80
2b. Non-monetary financial assets	--	--	--	--
3. Other	6.921	1.722	87	8
4. Current assets (1+2+3)	**69.396**	**10.994**	**5.461**	**2.276**
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)	**69.396**	**10.994**	**5.461**	**2.276**
10. Trade payables	78.646	20.692	78	75
11. Financial liabilities	31.600	3.127	4.114	517
12a. Monetary other liabilities	7.340	1.942	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	**117.586**	**25.761**	**4.192**	**592**
14. Trade payables	--	--	--	--
15. Financial liabilities	9.813	295	1.858	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**9.813**	**295**	**1.858**	**--**
18. Total liabilities (13+17)	**127.399**	**26.056**	**6.050**	**592**
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	**28.917**	**7.651**	**--**	**--**
19a. Hedged total asset	28.917	7.651	--	--
19b. Hedged total liabilities	--	--	--	--
20. Position of net foreign currency assets/liabilities (9-18+19)	**(29.086)**	**(7.411)**	**(589)**	**1.684**
21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)	**(64.924)**	**(16.784)**	**(676)**	**1.676**

As at 31 January 2018, Mavi Turkey has trade receivables amounting to TRY 67.365 from consolidated subsidiaries which comprise; EUR 7.938 thousand, USD 415 thousand, CAD 214 thousand and RUB 419.981 thousand. Considering these receivables, the Group's net foreign currency assets position amounts to TL 38.279. 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)

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				
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)**

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

Market risk ***(continued)***

Currency risk (continued)

Foreign Currency Sensitivity Analysis				
31 January 2018				
	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	(6.344)	6.344	(6.344)	6.344
2- Hedged portion of TL against USD risk(-)	1.173	(1.173)	2.893	(2.893)
3- Net effect of USD (1+2)	**(5.171)**	**5.171**	**(3.451)**	**3.451**
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(316)	316	(316)	316
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
6- Net effect of EURO (4+5)	**(316)**	**316**	**(316)**	**316**
10% change of other against TL				
7- Net other denominated asset/liability	168	(168)	168	(168)
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	**168**	**(168)**	**168**	**(168)**
Total (3+6+9)	**(5.319)**	**5.319**	**(3.599)**	**3.599**

Interest rate risk

Profile

The interest rate profile of the Group's interest-bearing financial instruments is:

Fixed interest rate items	**31 January 2019**	**31 January 2018**
Financial assets	107.805	115.926
Financial liabilities	(376.044)	(377.835)

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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 2019 and 2018, net debt / equity ratios are as follows:

	31 January 2019	**31 January 2018**
Loans and borrowings (Note 5)	376.044	377.835
Cash and cash equivalents (Note 4)	(266.571)	(266.280)
Net financial liabilities	**109.473**	**111.555**
Equity	337.168	247.181
Net financial liabilities / equities rate	**0,32**	**0,45**

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35 Financial risk management

Fair values

	Carrying amount			Fair value			
31 January 2019 **Financial assets not measured at fair value**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
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 liabilities not measured at fair value							
Forward exchange contracts	(9.577)	--	(9.577)	--	(9.577)	--	(9.577)
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.

35 Financial risk management *(continued)*

Fair values ***(continued)***

	Carrying amount			Fair value			
31 January 2018 **Financial assets measured at fair value**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Forward exchange contracts	613	--	613	--	613	--	613
Financial assets not measured at fair value							
Trade receivables from third parties	112.996	--	112.996	--	--	--	--
Other receivables to third parties[1]	24.187	--	24.187	--	--	--	--
Cash and cash equivalents	266.280	--	266.280	--	--	--	--
Total	**404.076**	**--**	**404.076**	**-**	**613**	**-**	**613**
Financial liabilities measured at fair value							
Other payables to related parties	--	(7.420)	(7.420)	--	--	--	--
Financial liabilities not measured at fair value							
Bank overdrafts	--	(3.806)	(3.806)	--	--	(3.806)	(3.806)
Bank loans	--	(374.029)	(374.029)	--	--	(379.689)	(379.689)
Trade payables to third parties	--	(243.783)	(243.783)	--	--	--	--
Other payables to third parties	--	(6.199)	(6.199)	--	--	--	--
Trade payables to related parties	--	(122.672)	(122.672)	--	--	--	--
Total	**--**	**(757.909)**	**(757.909)**			**(383.495)**	**(383.495)**

[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.

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 2019	31 January 2018
Opening balance	**377.835**	**336.023**
Net cash flow used in financing activities	(9.647)	38.961
Effect of movements in exchange rates	1.050	2.682
Interest accrual	6.064	(413)
Effect of change in bank overdrafts	742	582
Closing balance	**376.044**	**377.835**

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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 2019 and 2018 are as follows:

	Note	31 January 2019	31 January 2018
Profit		100.774	90.002
Income tax expense	*30*	31.579	22.239
Profit before tax		**132.353**	**112.241**
Adjustment for:			
-Net finance costs		164.760	80.151
Receivables and payables interest income (net)		(8.696)	(2.039)
Foreign exchange gain and loss (net)		8.990	(159)
-Depreciation and amortisation	*27*	69.723	61.893
EBITDA		**367.130**	**252.087**

38 Subsequent events

None.

13. GENERAL ASSEMBLY

1. ORDINARY GENERAL ASSEMBLY AGENDA

AGENDA OF THE ORDINARY GENERAL ASSEMBLY OF
MAVİ GİYİM SANAYİ VE TİCARET A.Ş.
DATED 30 APRIL 2019
FOR THE SPECIAL ACCOUNTING PERIOD OF
1 FEBRUARY 2018 – 31 JANUARY 2019

1. Opening and Election of the Meeting's Chairperson,

2. Reading, discussion and approval of the Annual Report prepared by the Company's Board of Directors for the special accounting period of 1 February 2018 – 31 January 2019,

3. Reading of the Independent Audit Report Summary for the special accounting period of 1 February 2018 – 31 January 2019,

4. Reading, discussion and approval of the Financial Statements relating to the special accounting period of 1 February 2018 – 31 January 2019,

5. Release of the Board of Directors' members separately and individually from their liabilities in respect of their activities within the Company's special accounting period of 1 February 2018 – 31 January 2019,

6. Submission of information to the shareholders as to the Remuneration Policy which sets forth principles applicable to the remuneration of the Board Members and the Executives in accordance with the Capital Markets Board's regulations

7. Determination of the fees and other rights of Board of Directors' Members such as attendance fees, bonuses and premiums,

8. Appointment of the auditor,

9. Approval of the Board of Directors' proposal regarding the non-distribution of profits of the special accounting period of 1 February 2018 - 31 January 2019 and submission of information to the shareholders about the purpose and reason of non-distribution which is stated as increasing the free cash amount and optimizing financing expenses by taking into consideration Company's long-term strategies and investment, cash and financing policies

10. Approval of the Board of Directors' proposal to amend Article 3 of the Company's Articles of Association titled "Purpose and Fields of Activity" and Article 6 titled "Capital and Shares",

11. Submission of information to the shareholders on the donations made by the Company within the special accounting period of 1 February 2018 – 31 January 2019 and submission of those donations to the approval of shareholders and determination of an upper limit for the donations to be made within the special accounting period of 1 February 2019 – 31 January 2020,

12. Submission of information to the shareholders on the securities, pledges, collaterals and mortgages granted to third parties within the special accounting period of 1 February 2018 – 31 January 2019 in accordance with the regulations of the Capital Markets Board and the revenues or benefits obtained in connection therewith,

13. Grant of authorization to the members of the Board of Directors in accordance with sections 395 and 396 of the Turkish Commercial Code, and provision of information to the shareholders about the transactions carried out during the special accounting period between 1 February 2018 – 31 January 2019, in accordance with the mandatory principle 1.3.6 of the Corporate Governance Communiqué as promulgated by the Capital Markets Board.

14. Wishes and requests.

Annex: Draft Amendments To The Articles Of Association

ARTICLE 3

OLD VERSION	**NEW VERSION**
Article 3	**Article 3**
PURPOSE AND FIELDS OF ACTIVITY	**PURPOSE AND FIELDS OF ACTIVITY**
A – FIELDS OF ACTIVITY	**A – FIELDS OF ACTIVITY**
Provided to comply with the provisions of the Turkish Commercial Code No.6102, the Capital Markets Law No.6362 and the related legislation, the Company may engage in the following:	Provided to comply with the provisions of the Turkish Commercial Code No.6102, the Capital Markets Law No.6362 and the related legislation, the Company may engage in the following:
a) Production, import, export and marketing of ready-to-wear clothing items and textile products manufactured from all kinds of natural and synthetic fabrics;	a) Production, import, export, **design** and marketing of ready-to-wear clothing items and textile products manufactured from all kinds of natural and synthetic fabrics;
b) Purchase, sale and local and international marketing of ready-to-wear clothing items, external wear and underwear, children's goods and clothing items produced specifically for adolescents, produced under specific brands within our outside of Turkey, and especially all kinds of clothing produced under the brands "Mavi, Mavi Jeans" and/or under other brands, opening and operating stores aimed at the foregoing, establishing and operating sales organizations for ensuring the marketing of the retail and wholesale of such products within Turkey or abroad;	b) Purchase, sale and local and international marketing of ready-to-wear clothing items, external wear and underwear, children's goods and clothing items produced specifically for adolescents, produced under specific brands within our outside of Turkey, and especially all kinds of clothing produced under the brands "Mavi, Mavi Jeans" and/or under other brands, opening and operating stores aimed at the foregoing, establishing and operating sales organizations for ensuring the marketing of the retail and wholesale of such products within Turkey or abroad;
c) Production, import, export and marketing of the accessories, zippers, buttons, narrow wovens, braids, rubbers, cords and similar materials that are necessary for the manufacturing of knitting and textile industry products, as well as the machinery, equipment and components needed for producing the foregoing, production lines, conveyors, chemicals, dyes, chemical finishing, ironing and blanching equipment, mineral oils.	c) Production, import, export and marketing of the accessories, zippers, buttons, narrow wovens, braids, rubbers, cords and similar materials that are necessary for the manufacturing of knitting and textile industry products, as well as the machinery, equipment and components needed for producing the foregoing, production lines, conveyors, chemicals, dyes, chemical finishing, ironing and blanching equipment, mineral oils.
d) Production, import, export and marketing of the special plates, wax and paraffin products, soaps, organic chemicals and petroleum-derived substances aimed at producing models.	d) Production, import, export and marketing of the special plates, wax and paraffin products, soaps, organic chemicals and petroleum-derived substances aimed at producing models.
e) Production, import, export and marketing of the applied computers and office machinery used in the textile and knitting industry for producing models and patterns, hardware and stationary materials, special knitting, weaving, embroidery, sewing and tricotage machines and data processing machines aimed at the productrion of knitwear and ready-to-wear clothing.	e) Production, import, export and marketing of the applied computers and office machinery used in the textile and knitting industry for producing models and patterns, hardware and stationary materials, special knitting, weaving, embroidery, sewing and tricotage machines and data processing machines aimed at the productrion of knitwear and ready-to-wear clothing.
f) Production, import, export and local and international marketing of leather and textile accessory materials eligible for being sold in ready-to-wear clothing stores, clothing, accessories, decoration materials, ties, scarves, handkerchieves, socks and other similar haberdashery products, perfumery and jewelry materials, stationary supplies and office equipment.	f) Production, import, export, **design** and local and international marketing of leather and textile accessory materials eligible for being sold in ready-to-wear clothing stores, clothing, accessories, decoration materials, ties, scarves, handkerchieves, socks and other similar haberdashery products, perfumery and jewelry materials, stationary supplies and office equipment.
g) Engaging in the packaging and local and international trading of food industry products, setting up and operating restaurants, cafeterias and self-service establishments, obtaining the agency rights in Turkey of food industry brands registered abroad and operating them.	g) Engaging in the packaging and local and international trading of food industry products, setting up and operating restaurants, cafeterias and self-service establishments, obtaining the agency rights in Turkey of food industry brands registered abroad and operating them.
h) Production, import, export and marketing of products associated with the tourism industry, souvenirs, touristic commodity such as carpets, kilims, copper goods and similar items, glass and glass objects, entire range of products aimed at the furnishing and decoration of hotels and motels, leather goods, shoes, belts, bags and leather clothing.	h) Production, import, export, **design** and marketing of products associated with the tourism industry, souvenirs, touristic commodity such as carpets, kilims, copper goods and similar items, glass and glass objects, entire range of products aimed at the furnishing and decoration of hotels and motels, leather goods, shoes, belts, bags and leather clothing.
i) The Company may both directly engage in the production of the goods and products stated above, and may outsource the production of these good and products to third parties in part or in whole, establish and operate production, assembly and packaging facilities, engage in the production, import, export, local and international marketing of these goods and products, and partipicate to local and international fairs.	i) The Company may both directly engage in the production of the goods and products stated above, and may outsource the production of these good and products to third parties in part or in whole, establish and operate production, assembly and packaging facilities, engage in the production, import, export, **design**, local and international marketing of these goods and products, and partipicate to local and international fairs.

j) Provided to make the public disclosures of material circumstances required under the capital markets legislation and to perform the acts required under the applicable legislation, and subject to the regulations of the capital markets legislation on transfer pricing, which are reserved, cooperating with local and foreign real persons and legal entities (whether they currently exist of may exist in the future) in relation to its fields of activity, establishing or participating to companies, and provided not to conduct intermediary activities, acquiring and transferring the shares of such companies, participating to tenders and auctions, making undertakings, posting securities, cooperating with foreign commercial corporations in relation to its fields of activity.

k) Provided not to fall within the scope of the investment services and activities regulated under the capital markets legislation, purchasing, selling and transferring all kinds of securities issued or to be issued by private and public legal entities (such as share certificates, debt instruments, dividend certificates and alike), as well as all kinds of rights and shares in companies, and provided to comply with the restrictions and the procedures set forth under the applicable legislation, creating securities and usufruct on the foregoing, benefiting from usufruct rights, and performing other legal transactions relating to the foregoing.

l) In case the Company purchases of its own shares, acting in accordance with the Capital Markets Legislation and other relevant legislation, and making the required public announcements.

m) Participating to foundations established in Turkey for various purposes, establishing foundations and allocating assets to them, allocating and distributing dividends to such persons and/or institutions.

n) For the purposes of carrying out the activities that fall within the scope of its fields of business, the Company may organize within Turkey or abroad the printing, reproduction, distribution and marketing of written and visual materials such as magazines, periodicals and books (pictorial or otherwise). The Company may further cooperate with institutions dealing with printing activities, conduct acts aimed at the production of films, videos, internet materials, CDs, DVDs and visual materials which are needed for the visual presentation of its collection to the consumers, and organize the reproduction, distribution and marketing of the

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aforementioned media. For the purposes of the foregoing, the Company may cooperate with studios, obtain the legal permissions required for the presentation of such printed and visual materials and may request them to be barcoded.

o) For the purposes of carrying out the activities that fall within the scope of its fields of business, the Company may also engage in the import of the electronic office materials and communication materials defined below: computers, computer components, software, hardware, by-products, equipment, related consumable materials. Electronic devices, electronic device components and related consumable materials. Data lines, equipment, electronic components and consumable materials used for networks, communication devices, and spare parts, components and equipment relating to such devices.

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B – REALIZATION OF THE FIELDS OF ACTIVITY

a) In order to realize its purpose and fields of activity indicated above, the Company may acquire all kinds of rights and incur all kinds of obligations, purchase and sell movable and immovable assets that it may deem necessary, and create all kinds of rights in rem, personal rights and encumbrances on the foregoing.

b) The Company may enter into short term, mid term and long term credit agreements, make borrowings, enter into short term, mid term and long term loan agreements, and draw, endorse and accept bills of exchange.

c) The Company may obtain pledges and mortgages for securing its receivables, and may require such pledges and mortgages to be lifted. The Company may obtain and grant all kinds of collateral mortgages.

d) However, with regard to the granting by the Company in its name and in favour of third parties of guarantees, sureties and securities, and the establishment of pledges (including mortgages), the framework set forth by the capital markets legislation shall be complied with, and in respect of the transactions to be conducted in favour of third parties, the public announcements stipulated under the Capital Markets Law for material circumstances shall be made for ensuring that the investors are informed.

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e) Provided to be limited to its fields, the Company may acquire trademarks, patents, letter patents, know-how and royalties.

f) Provided to be limited to its fields, the Company may enter into agreements of agency, commission, distributorship and representation.

g) In accordance with the capital markets legislation and upon the resolution of the Board of Directors, the Company may issue all kinds of negotiable instruments and other capital markets within Turkey and abroad, conduct all kinds of activities within this scope, for the purposes of financing the business that are within its fields of activity, enter into agreements with asset lease companies in order to have lease certificates issued under the capital markets legislation, transfer or lease the movable and immovable assets owned by the Company to asset lease companies, and may execute the agreements aimed at the lease and re-purchase of the assets transferred by the Company.

The Company may make all kinds of donations and grant all kinds of aids in a manner not prejudicial to its purpose and activities, provided that such donations and aids do not contradict with the transfer pricing regulations of the Capital Markets Law and other related legislation, the necessary public announcements are made, and information on the donations made within the relevant year is submitted to the shareholders during the General Assembly. The annual upper limit of the donations to be made is determined by the General Assembly, and donations in excess of such limit may not be made within the same year.

In case the purpose and fields of activity of the Company are to be amended, the requisite permissions from the Ministry of Customs and Commerce and the Capital Markets Board must be obtained.

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f) Provided to be limited to its fields, the Company may enter into agreements of agency, commission, distributorship and representation.

g) In accordance with the capital markets legislation and upon the resolution of the Board of Directors, the Company may issue all kinds of negotiable instruments and other capital markets within Turkey and abroad, conduct all kinds of activities within this scope, for the purposes of financing the business that are within its fields of activity, enter into agreements with asset lease companies in order to have lease certificates issued under the capital markets legislation, transfer or lease the movable and immovable assets owned by the Company to asset lease companies, and may execute the agreements aimed at the lease and re-purchase of the assets transferred by the Company.

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In case the purpose and fields of activity of the Company are to be amended, the requisite permissions from the Ministry of Customs and Commerce and the Capital Markets Board must be obtained.

h) The Company may establish training facilities in order to raise designers, technicians, mechanics and machinists with respect to its sphere of activity, as well as any other professionals to form the infrastructure of the industry it operates.

i) The Company may establish, manage and operate quality control laboratories to the extent that they shall be in relation to its sphere of activity and that it observe and fulfill any and all requirements as prescribed under the related applicable regulations, and it may perform and carry out any and all research and development activities covering laboratory activities during the period of transition from the concept to develop technological, technical and economic feasibility studies to design, and design studies, prototype production, establishment of the pilot facility, trial production, patent and license activities, as well as after-sales grievance services.

j) The Company may perform any and all financial, legal, commercial and industrial processes/procedures in relation to its sphere of activity, and it may provide technical assistance, consultancy, engineering and architectural services, and it may acquire intangible rights and intellectual rights such as project, license, patent, utility model, brand, industrial design, trade name, model, presentation, business manner or technical knowledge, goodwill, betterment, franchising, etc., and it may impose any and all kinds of disposition thereon, and it may have such rights registered or revoked, and it may execute any and all related agreements and any agreements, which grant any other intellectual property rights thereunder, with any and all domestic and international companies, and also it may alienate and take over any such agreements.

ARTICLE 6

OLD VERSION	NEW VERSION
Article 6	**Article 6**
CAPITAL AND SHARES 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.	**CAPITAL AND SHARES** 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).	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).
This upper limit of registered capital allowed by the Capital Markets Board is valid for the years 2017 through 2021 (for 5 years). Even if the upper limit of registered capital is not yet reached at the end of 2021, for capital increase resolutions to be passed after 2021, the Board of Directors must be granted an authorization by the General Assembly for a new period not exceeding 5 years, provided that the permission of the Capital Markets Board is obtained. In case such authorization is not granted, capital increases may not be effected based on the resolution of the Board of Directors.	This upper limit of registered capital allowed by the Capital Markets Board is valid for the years 2017 through 2021 (for 5 years). Even if the upper limit of registered capital is not yet reached at the end of 2021, for capital increase resolutions to be passed after 2021, the Board of Directors must be granted an authorization by the General Assembly for a new period not exceeding 5 years, provided that the permission of the Capital Markets Board is obtained. In case such authorization is not granted, capital increases may not be effected based on the resolution of the Board of Directors.
The issued capital of the Company is TL 49.657.000.- (forty nine million six hundred and fifty seven thousand). This capital has been fully paid up, free from any simulation.	The issued capital of the Company is TL 49.657.000.- (forty nine million six hundred and fifty seven thousand). This capital has been fully paid up, free from any simulation.
The Company's capital of TL 49.657.000.- is divided into 13.608.293 Class A registered shares with a nominal value of TL 13.608.293.-, representing 27,41% of the issued share capital; and 36.048.707 Class B registered shares with a nominal value of TL.- 36.048.707, representing 72,59% of the issued share capital.	The Company's capital of TL 49.657.000.- is divided into **108.293** Class A registered shares with a nominal value of TL.- **108.293,** representing **0,22**% of the issued share capital; and **49.548.707** Class B registered shares with a nominal value of TL.- **49.548.707**, representing **99,78**% of the issued share capital.
The shares representing the issued share capital are monitored in book-entry form in accordance with the principles of dematerialization.	The shares representing the issued share capital are monitored in book-entry form in accordance with the principles of dematerialization.
The capital of the Company may be increased or decreased as necessary, pursuant to the provisions of the Turkish Commercial Code and the Capital Markets Legislation.	The capital of the Company may be increased or decreased as necessary, pursuant to the provisions of the Turkish Commercial Code and the Capital Markets Legislation.
Within the years 2017 through 2021 (until the end of 2021), the Board of Directors is authorized to pass resolutions to increase the issued capital as it may deem necessary from time to time by issuing new shares up to the registered capital upper limit, restrict the rights of the existing shareholders to subscribe for new shares in capital increases, and to issue shares with premium or with values lower than their nominal value. The authority to restrict the right to subscribe for new shares may not be exercised in a manner to give rise to inequality among the shareholders.	Within the years 2017 through 2021 (until the end of 2021), the Board of Directors is authorized to pass resolutions to increase the issued capital as it may deem necessary from time to time by issuing new shares up to the registered capital upper limit, restrict the rights of the existing shareholders to subscribe for new shares in capital increases, and to issue shares with premium or with values lower than their nominal value. The authority to restrict the right to subscribe for new shares may not be exercised in a manner to give rise to inequality among the shareholders.
Where any new shares are to be issued, unless the Board of Directors has resolved otherwise, the ratio of Class A registered shares in the issued capital shall be maintained the same.	Where any new shares are to be issued, unless the Board of Directors has resolved otherwise, the ratio of Class A registered shares in the issued capital shall be maintained the same.
In case of a transfer of any Class A shares to any person, the transferred Class A shares are transformed into Class B shares at the time the transfer is effected.	In case of a transfer of any Class A shares to any person, the transferred Class A shares are transformed into Class B shares at the time the transfer is effected.
In order for the Class A shares to be traded at the stock exchange, first they must have been transformed into ClassB Shares. Upon the application by the holder of the Class A shares to the Central Registraton Agency *(Merkezi Kayıt Kuruluşu Anonim Şirketi)* for transforming them into shares eligible for being traded at the stock exchange, the shares that are covered by such notification are automatically transformed into Class B shares.	In order for the Class A shares to be traded at the stock exchange, first they must have been transformed into ClassB Shares. Upon the application by the holder of the Class A shares to the Central Registraton Agency *(Merkezi Kayıt Kuruluşu Anonim Şirketi)* for transforming them into shares eligible for being traded at the stock exchange, the shares that are covered by such notification are automatically transformed into Class B shares.
During capital increases, the bonus shares are distributed to the shares existing as at the date of the capital increase in question.	During capital increases, the bonus shares are distributed to the shares existing as at the date of the capital increase in question.

2. DIVIDEND DISTRIBUTION POLICY

This is an English translation of the original document in Turkish for information purposes only. In the event of any discrepancy between this translation and the original Turkish document, the original Turkish document shall prevail. Mavi Giyim makes no warranties or representations about the accuracy or completeness of the English translation and assumes no liability for any errors, omissions or inaccuracies that may arise from use of this translation.

Article 1: Scope and Legal Basis

This dividend distribution policy sets forth the principles applicable to the dividend and advance dividend distributions to be made by Mavi Giyim Sanayi ve Ticaret A.Ş.'nin (the "Company") in accordance with its articles of association (the "Articles of Association") and the relevant regulations.

This policy has been prepared pursuant to the Capital Markets Law No. 6362 (the "CM Law"), the Turkish Commercial Code No. 6201 (the "TCC"), the "Dividend Distribution Communiqué No. II-19.1 (the "Dividend Distribution Communiqué"), the "Corporate Governance Communiqué No. II-17.1 and other relevant legislation.

Article 2: Purpose

The purpose of the dividend distribution policy is ensuring that a balanced and consistent policy is implemented pursuant to the applicable legislation in relation to the interests of the investors and the Company, informing the investors sufficiently and maintaining a transparent policy towards the investors.

Article 3: Principles of Dividend Distribution

The general assembly of the Company shall resolve on the distribution of dividends and the timing and manner of such distribution, upon the proposal of the Board of Directors.

To the extent the relevant regulations and the financial resources permit, and taking into account the long term strategies of the Company, the needs of the subsidiaries and affiliates, the investment and financing policies and the 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, the TCC, the CM Law, the Dividend Distribution Communiqué and the tax legislation. Dividends may be distributed in cash and/or shares without consideration and/or as a combination of both in certain ratios.

Dividends are distributed equally to all shares existing at the time of distribution pro rata to their respective ratios, regardless of the date of issuance and date of acquisition of such shares.

Payment of dividends may also be made in equal or differing instalments, provided that this is resolved upon during the general assembly meeting where the general assembly has resolved to make dividend distribution.

Unless the reserves that are to be set aside under the TCC or the Articles of Association or the dividends stipulated to be allocated to the shareholders pursuant to the Articles of Association or this dividend distribution policy are set aside, the Company may not resolve to set aside other reserves, carry the profits to the next year, distribute dividends to the holders of dividend shares, Board members, Company's employees, foundations and persons and entities other that the shareholders, nor may the Company distribute any dividends to such persons unless the distribution allocated to the shareholders is paid in cash.

The dividend distribution shall commence on the date determined by the general assembly, provided that the dividend distribution is initiated latest by the end of the accounting period during which the general assembly meeting resolving on such distribution was held.

The dividend distribution resolution passed by the general assembly in accordance with the Articles of Association may not be revoked unless permitted by the applicable law.

In the event that the Board of Directors proposes not to distribute dividends, the reasons for such proposal and the manner in which the retained profit is to be used shall be explained in the item of the agenda dealing with the dividend distribution, and the foregoing information shall be submitted to the shareholders during the general assembly.

Article 4: Principles of Advance Dividend Distribution

The general assembly of the Company may, in accordance with the provisions of the CM Law and other relevant legislation, resolve to distribute advance dividends to the shareholders. Relevant provisions of the applicable law shall be adhered to when calculating the amount of the advance dividends and distributing them.

The advance dividends shall be based on the profit indicated in the interim financial statements of the Company and distributed in cash. The advance dividends relating to a certain interim period may not be paid in instalments.

Advance dividends are distributed equally to all shares existing at the time of distribution pro rata to their respective ratios, regardless of the date of issuance and date of acquisition of such shares.

The advance dividends to be distributed may not exceed half of the amount that corresponds to the remainder of the net profit in the interim financial statements for the relevant period, after the deduction of the reserves that are required to be set aside under the TCC and the Articles of Association and the losses of the previous years.

The aggregate amount of the advance dividends to be distributed within an accounting period may not exceed the lower of:

a) Half of the net profit for the previous year; and

b) Resources which could be subject to profit distribution, other than the net profit in the financial statements for the relevant interim period.

In the event that more than one advance dividend distribution is made within the same accounting period, when calculating the advance dividends to be distributed in the following interim periods, the advance dividend payments made in the previous interim periods are deducted from the amount calculated.

Unless the advance dividend payments made in the previous accounting period are set-off, no additional advance dividend payments may be made or dividends may be distributed in the following accounting periods.

No advance dividend may be paid to persons other than the shareholders, and the advance dividends are paid without regard to the privileges held by the privileged shares.

Article 5 – Public Disclosure

The proposals of the Board of Directors relating the dividend distribution or the Board resolutions relating to the distribution of advance dividends are announced to the public in accordance with the relevant regulations, together 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 intended to be introduced, the Board resolution regarding such amendment is also announced to the public, together with the reasons for such amendment.

This policy shall be announced to the public on the Company's web site following the approval of the general assembly.

3. DIVIDEND DISTRIBUTION PROPOSAL FOR THE YEAR 2018

Our Board of Directors decided to propose non-distribution of net distributable profits of the year 2018 for the purpose and with the intention of increasing the free cash amount and optimizing financing expenses, taking into consideration Company's long-term strategies and investment, cash and financing policies,to the approval of the shareholders at the Ordinary General Assembly.

4. DIVIDENT DISTRIBUTION TABLE

Mavi Giyim Sanayi ve Ticaret A.Ş. Profit Distribution Proposal for 2018 (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	132.353.000,00	83.098.253,38
4.	Taxes (-)	31.579.000,00	19.687.174,19
5.	Net Profit (=)	91.517.000,00	63.411.079,19
6.	Prior years' losses (-)	-	-
7.	Legal reserve fund (-)	-	-
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	91.517.000,00	63.411.079,19
	Dividend Advance Distributed (-)	-	-
	Dividend Advance Less Net Distributable Current Period Profit	91.517.000,00	63.411.079,19
9.	Grants made during the year (+)	424.640,73	-
10.	Net distributable profit including grants	91.941.640,73	63.411.079,19
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	91.517.000,00	63.411.079,19
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**		

*Group A shares representing 0,22% of the capital are owned by Blue International Holding BV. The Company shall be subject to withholding tax within the framework of the provisions of the Double Taxation Prevention Agreement.

** The Company does not have information regarding the entity type of Group B shareholders ("limited liability, full liable, legal entity or real person"). The calculation is based on the assumption that all shareholders in this group are subject to withholding tax at the local rate.

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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 2018 and 31 January 2019, 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 2018 and 31 January 2019 on 14 March 2019.

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 indicate 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

[illegible], SMMM
Partner
8 April 2019
İzmir, Turkey

DISCLAIMER

This Annual Report is prepared in accordance with the legal requirements to be presented to the Ordinary General Assembly, which will be held on 30 April 2019 at 10:00, at Sultan Selim Mahallesi Eski Büyükdere Caddesi No: 53 Kağıthane İstanbul. This 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 programmes; 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.