

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

Condensed Consolidated Interim Financial Statements  
As At and For The Six Months Period Ended  
31 July 2020

14 September 2020

This report contains 2 pages of independent auditors' report on review of interim financial information 41 pages of financial statement explanatory notes.

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of  
Mavi Giyim Sanayi ve Ticaret A.Ş.

We have reviewed the accompanying condensed consolidated interim statement of financial position of Mavi Giyim Sanayi ve Ticaret A.Ş. and its subsidiaries (together will be referred as the “Group”) as of 31 July 2020 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, condensed consolidated interim changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 (“IAS 34”), Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Other matter*

The consolidated financial statements of the Group as at and for the year ended 31 January 2020 were audited and as at and for the six month period ended 31 July 2019 were reviewed by another auditor who expressed an unqualified opinion and an unqualified conclusion on 12 March 2020 and 19 September 2019, respectively.

### *Emphasis of Matter - Covid 19 effect*

The Covid-19 pandemic affected the Group's activities. Management disclosed the impact of Covid-19 on its activities and plans for this effect in Note 26 of the financial statements. The Group management states that it is not currently possible to make an accurate estimate of Covid-19's impact on the financial performance of the Group. Our conclusion is not modified in respect of this matter.

## *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim statement of financial information does not present fairly, in all material respects, in accordance with IAS 34, "Interim Financial Reporting Standard".

## *Other Information*

Management is responsible for the other information. The other information comprises the Appendix I and Appendix 2 disclosed as "Other information" at the notes to the condensed consolidated interim financial statements but are not part of the condensed consolidated interim financial statements and of our auditor's report thereon.

Our conclusion on the condensed consolidated interim financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our review of the condensed consolidated interim financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the condensed consolidated interim financial statements or our knowledge obtained in the review or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Cem Tovil  
Partner

İstanbul, 14 September 2020

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**Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries**  
**Condensed Consolidated Interim Statement of Financial Position**  
**As at 31 July 2020**

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

		<b>Reviewed</b>	<b>Audited</b>
	<i>Notes</i>	<b>31 July 2020</b>	<b>31 January 2020</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	738,232	310,838
Trade receivables		198,481	231,101
- Due from third parties	8	198,481	231,101
Other receivables		8,962	17,267
- Due from third parties		8,962	17,267
Inventories	9	590,461	496,064
Derivative financial instruments	23	4,423	1,214
Prepaid expenses		39,580	41,761
Current tax asset		10,608	2,701
Other current assets		37,970	17,726
<b>Total current assets</b>		<b>1,628,717</b>	<b>1,118,672</b>
<b>Non-current assets</b>			
Other receivables		3,363	3,207
- Due from third parties		3,363	3,207
Property and equipment		199,428	180,719
Right of use assets	12	420,430	406,679
Intangible assets		252,448	222,449
- Other intangible assets		73,850	68,051
- Goodwill	11	178,598	154,398
Prepayments		124	115
Deferred tax assets		26,323	5,583
<b>Total non-current assets</b>		<b>902,116</b>	<b>818,752</b>
<b>TOTAL ASSETS</b>		<b>2,530,833</b>	<b>1,937,424</b>

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

**Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries**  
**Condensed Consolidated Interim Statement of Financial Position**  
**As at 31 July 2020**

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

		<b>Reviewed</b>	<b>Audited</b>
	<i>Notes</i>	<b>31 July 2020</b>	<b>31 January 2020</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term borrowings	6	326,104	74,748
Short term contractual lease liabilities	6	202,360	197,954
- Due to related parties	7	1,829	1,553
- Due to third parties		200,531	196,401
Short term portion of long term borrowings	6	281,194	160,946
Trade payables		661,513	597,283
- Due to related parties	7-8	122,658	196,804
- Due to third parties	8	538,855	400,479
Payables to employees		41,305	34,714
Other payables		14,491	6,971
- Due to related parties	7	176	126
- Due to third parties		14,315	6,845
Deferred revenue		19,673	18,917
Provisions		22,132	16,565
- Provisions for employee benefits	13	5,813	3,118
- Other provisions	13	16,319	13,447
Current tax liabilities		429	6,935
Other current liabilities		7,347	7,992
<b>Total current liabilities</b>		<b>1,576,548</b>	<b>1,123,025</b>
<b>Non-current liabilities</b>			
Loans and borrowings	6	215,432	84,098
Long term contractual lease liabilities	6	255,760	240,769
- Due to related parties	7	2,862	3,229
- Due to third parties		252,898	237,540
Deferred revenue		2,419	3,405
Provisions		8,173	7,931
- Provisions for employee benefits	13	8,173	7,931
Deferred tax liabilities		11,914	532
<b>Total non-current liabilities</b>		<b>493,698</b>	<b>336,735</b>
<b>TOTAL LIABILITIES</b>		<b>2,070,246</b>	<b>1,459,760</b>

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

**Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries**  
**Condensed Consolidated Interim Statement of Financial Position**  
**As at 31 July 2020**

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

		<b>Reviewed</b>	<b>Audited</b>
	<i>Notes</i>	<b>31 July 2020</b>	<b>31 January 2020</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Paid in share capital	15	49,657	49,657
Purchase of share of entities under common control		(35,757)	(35,757)
Other comprehensive expense not to be reclassified to profit or loss		(5,757)	(5,337)
<i>Remeasurement of defined benefit liability</i>		(5,757)	(5,337)
Other comprehensive income to be reclassified to profit or loss		127,886	88,960
<i>Foreign currency translation reserve</i>		124,436	88,013
<i>Hedging reserve</i>		3,450	947
Legal reserves	15	19,771	19,771
Retained earnings		342,930	248,086
Net profit / (Loss)		(54,657)	94,844
<b>Non-controlling interests</b>		<b>16,514</b>	<b>17,440</b>
<b>Total equity</b>		<b>460,587</b>	<b>477,664</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,530,833</b>	<b>1,937,424</b>

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

**Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries**  
**Condensed Consolidated Interim Statement of Profit or Loss and Other**  
**Comprehensive Income**  
**For the Six Months Period Ended 31 July 2020**

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

		Reviewed	Not reviewed	Reviewed	Not reviewed
	Notes	1 February – 31 July 2020	1 May – 31 July 2020	1 February – 31 July 2019	1 May – 31 July 2019
Revenue		924,926	537,804	1,340,120	691,767
Cost of sales		(482,093)	(270,727)	(678,773)	(337,385)
<b>Gross profit</b>		<b>442,833</b>	<b>267,077</b>	<b>661,347</b>	<b>354,382</b>
Administrative expenses		(77,185)	(37,983)	(79,281)	(42,574)
Selling, marketing and distribution expenses	16	(401,083)	(219,823)	(410,093)	(212,252)
Research and development expenses		(15,311)	(7,408)	(11,443)	(6,280)
Other income	17	9,486	3,573	1,080	(4,830)
Other expenses	17	(1,866)	8	(1,100)	291
<b>Operating profit / (loss)</b>		<b>(43,126)</b>	<b>5,444</b>	<b>160,510</b>	<b>88,737</b>
Losses from investment activities	18	(1,416)	(1,031)	(179)	25
<b>Operating profit / (loss) before financial income</b>		<b>(44,542)</b>	<b>4,413</b>	<b>160,331</b>	<b>88,762</b>
Finance income	19	84,322	50,649	5,408	3,981
Finance costs	20	(115,986)	(64,129)	(124,909)	(64,104)
<b>Net finance costs</b>		<b>(31,664)</b>	<b>(13,480)</b>	<b>(119,501)</b>	<b>(60,123)</b>
<b>Profit / (loss) before tax</b>		<b>(76,206)</b>	<b>(9,067)</b>	<b>40,830</b>	<b>28,639</b>
<b>Income tax expense</b>		<b>17,862</b>	<b>2,364</b>	<b>(9,237)</b>	<b>(7,128)</b>
- Tax expense		6,703	(3,148)	(20,629)	(12,047)
- Deferred tax income		11,159	5,512	11,392	4,919
<b>Net Income / (loss)</b>		<b>(58,344)</b>	<b>(6,703)</b>	<b>31,593</b>	<b>21,511</b>
Non-controlling interests		(3,687)	(2,134)	3,903	563
Owners of the Company		(54,657)	(4,569)	27,690	20,948
<b>Earnings / (loss) per share</b>	22	<b>(1.1007)</b>	<b>(0.0920)</b>	<b>0.5576</b>	<b>0.4218</b>

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



**Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries**  
**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**  
**For the Six Months Period Ended 31 July 2020**

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

	Reviewed	Not reviewed	Reviewed	Not reviewed
	1 February – 31 July 2020	1 May – 31 July 2020	1 February – 31 July 2019	1 May – 31 July 2019
<i>Notes</i>				
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurements of defined benefit liability	(538)	(342)	(142)	(36)
- Related tax	118	75	31	8
<b>Items that are or may be reclassified to profit or loss</b>				
Foreign operations - foreign currency translation differences	39,184	2,401	6,928	(10,697)
Cash flow hedging reserves	3,209	(11,714)	2,741	(20,010)
- Related tax	(706)	2,577	(603)	4,402
<b>Other comprehensive income net of tax</b>	<b>41,267</b>	<b>(7,003)</b>	<b>8,955</b>	<b>(26,333)</b>
<b>Total comprehensive income</b>	<b>(17,077)</b>	<b>(13,706)</b>	<b>40,548</b>	<b>(4,822)</b>
<b>Total comprehensive income attributable to:</b>				
Non-controlling interests	(926)	(2,100)	4,097	121
Owners of the Company	(16,151)	(11,606)	36,451	(4,943)

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

## Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

### Condensed Consolidated Interim Statement of Changes In Equity

As at and for the six months period ended 31 July 2020

(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	Remeasurement of defined benefit liability	Foreign currency translation reserve	Hedging reserve	Retained earnings	Net profit	Attributable to owners of the Company	Attributable to non- controlling interest	Total equity
<b>Balance as at 1 February 2019</b>	<b>49,657</b>	<b>19,771</b>	<b>(35,757)</b>	<b>(4,460)</b>	<b>63,935</b>	<b>(7,458)</b>	<b>156,569</b>	<b>91,517</b>	<b>333,774</b>	<b>3,394</b>	<b>337,168</b>
Transfers	--	--	--	--	--	--	91,517	(91,517)	--	--	--
Total comprehensive income	--	--	--	(111)	6,734	2,138	--	27,690	36,451	4,097	40,548
<b>Balance as at 31 July 2019</b>	<b>49,657</b>	<b>19,771</b>	<b>(35,757)</b>	<b>(4,571)</b>	<b>70,669</b>	<b>(5,320)</b>	<b>248,086</b>	<b>27,690</b>	<b>370,225</b>	<b>7,491</b>	<b>377,716</b>
<b>Balance as at 1 February 2020</b>	<b>49,657</b>	<b>19,771</b>	<b>(35,757)</b>	<b>(5,337)</b>	<b>88,013</b>	<b>947</b>	<b>248,086</b>	<b>94,844</b>	<b>460,224</b>	<b>17,440</b>	<b>477,664</b>
Transfers	--	--	--	--	--	--	94,844	(94,844)	--	--	--
Total comprehensive income	--	--	--	(420)	36,423	2,503	--	(54,657)	(16,151)	(926)	(17,077)
<b>Balance as at 31 July 2020</b>	<b>49,657</b>	<b>19,771</b>	<b>(35,757)</b>	<b>(5,757)</b>	<b>124,436</b>	<b>3,450</b>	<b>342,930</b>	<b>(54,657)</b>	<b>444,073</b>	<b>16,514</b>	<b>460,587</b>

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

**Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**As at and for the six months period ended 31 July 2020**  
*(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)*

		<b>Reviewed</b>	<b>Reviewed</b>
		<b>1 February –</b>	<b>1 February –</b>
		<b>31 July 2020</b>	<b>31 July 2019</b>
<b>Cash flow from operating activities</b>	<i>Notes</i>		
<b>Net profit / (loss) for the period</b>		<b>(58,344)</b>	<b>31,593</b>
<i>Adjustments for:</i>			
Depreciation and amortization expense	10,12	150,229	136,390
Finance income	19	(78,387)	(3,405)
Finance cost		101,616	124,033
Provision for unused vacation	13	3,616	2,113
Provision for employee severance indemnity	13	2,243	3,822
Fair value change of derivatives	19,20	--	876
Impairment loss on receivables		511	114
Interest (income)/expense on trade payables		(1,415)	(148)
Expected credit losses	17	386	101
Inventory obsolescence	9	13,728	3,797
Short term and long term provisions		1,139	618
Loss on disposal of property and equipment		1,416	179
Tax expense		(17,862)	9,237
Unrealized currency translation difference		30,735	(4,421)
		<b>149,611</b>	<b>304,899</b>
<b>Changes in:</b>			
Change in trade receivables		32,042	(35,236)
Change in inventory		(109,987)	(61,155)
Change in prepaid expenses		2,222	(3,685)
Change in other receivables		10,439	4,397
Change in other current and non-current assets		(20,244)	(5,852)
Change in employee benefits liabilities		6,594	(8,535)
Change in trade payables		139,792	19,250
Change in payables to related parties		(74,096)	44,787
Change in deferred revenue		(230)	489
Change in other payables		7,470	685
Change in short term and long-term provisions		418	--
Change in other liabilities		(1,442)	243
<b>Cash flows used in operating activities</b>		<b>142,589</b>	<b>260,287</b>
Employee benefits paid	13	(3,579)	(3,600)
Income tax paid		(7,710)	(435)
<b>Net cash from operating activities</b>		<b>131,300</b>	<b>256,252</b>
<b>Cash flows from investing activities</b>			
Acquisition of tangible assets	10	(50,083)	(40,684)
Proceeds from sale of tangible assets		2,182	74
Acquisition of intangible assets	10	(11,666)	(12,154)
Interest received		17,673	3,314
<b>Net cash flow used in investing activities</b>		<b>(41,894)</b>	<b>(49,450)</b>
Proceeds from loans and borrowings		1,139,651	307,147
Repayment of loans and borrowings		(659,660)	(180,272)
Payments of contractual lease liabilities		(77,463)	(119,148)
Proceeds of settlement of derivatives		--	(892)
Other financial payments		(23,026)	(43,430)
Interest paid		(41,514)	(38,627)
<b>Net cash flow used in financing activities</b>		<b>337,988</b>	<b>(75,222)</b>
<b>Net change in cash and cash equivalent</b>		<b>427,394</b>	<b>131,580</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>5</b>	<b>310,838</b>	<b>262,023</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>5</b>	<b>738,232</b>	<b>393,603</b>

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

# Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

As at and for the six months period ended 31 July 2020

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

### 1 Reporting entity

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

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

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

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

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

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

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

<sup>(1)</sup> 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 condensed consolidated interim financial statements, as of 31 July 2020.

As of 31 July 2020, Group's total number of employees is 4,094 (31 January 2020: 4,086).

**Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As at and for the six months period ended 31 July 2020**  
*(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)*

**2 Basis of presentation of financial statements**

**2.1 Basis of accounting**

**(a) Statement of compliance**

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

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 14 September 2020. General Assembly has the authority to modify the condensed consolidated interim financial statements.

**(b) Basis of measurement**

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The condensed consolidated interim financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value

**(c) Functional and presentation currency**

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) which is the Company’s functional currency. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

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

The table below summarizes functional currencies of the Group entities.

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

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

**2.1 Basis of accounting (continued)**

**(d) Use of judgements and estimates**

In preparing these condensed consolidated interim financial statements management has made judgements, estimates, and assumptions that affects the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

**(e) Measurement of fair values**

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

**(i) Trade and other receivables**

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

**(ii) Derivative financial liabilities**

The fair values of forward exchange contracts are based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

**(iii) Other non-derivative financial liabilities**

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

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

**2.1 Basis of accounting (continued)**

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

**(iv) Property, plant and equipment**

The fair value of property and equipment recognized as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

**(v) Intangible assets**

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets. The fair value of customer relationships acquired in a business combination are determined according to the excess earnings methods and replacement cost approach.

**2.2 New and Amended Turkish Financial Reporting Standards**

**(a) Amendments that are mandatorily effective from 2020**

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IFRS 16	<i>COVID-19 Related Rent Concessions</i>
Amendments to Conceptual Framework	<i>Amendments to References to the Conceptual Framework in IFRSs</i>

**Amendments to IFRS 3 Definition of a Business**

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

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

**Amendments to IAS 1 and IAS 8 Definition of Material**

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

**Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform**

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

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

**2.2 New and Amended Turkish Financial Reporting Standards (continued)**

**(a) Amendments that are mandatorily effective from 2020 (continued)**

**Amendments to IFRS 16 COVID-19 Related Rent Concessions**

The changes in COVID-19 Related Rent Concessions (Amendment to IFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and there are no substantive changes to other terms and conditions of the lease.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Company elected early application of the amendments.

The Group has applied the practical expedient to all rent concessions that have met the above criteria. There were no COVID-19-related rent concessions prior to 1 January 2020.

**Amendments to References to the Conceptual Framework in IFRSs**

The references to the Conceptual Framework revised the related paragraphs in IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRS Interpretation 12, IFRS Interpretation 19, IFRS Interpretation 20, IFRS Interpretation 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

**(b) New and revised IFRSs in issue but not yet effective**

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

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020	<i>Amendments to IFRS 1, IFRS 9 and IAS 41</i>



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

**2.2 New and Amended Turkish Financial Reporting Standards (*continued*)**

**(b) New and revised IFRSs in issue but not yet effective (*continued*)**

**IFRS 17 Insurance Contracts**

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

**Amendments to IAS 1 Classification of Liabilities as Current or Non-Current**

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

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

**Amendments to IFRS 3 Reference to the Conceptual Framework**

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

**Amendments to IAS 16 Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

**Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract**

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

**Annual Improvements to IFRS Standards 2018-2020 Cycle**

**Amendments to IFRS 1 First time adoption of International Financial Reporting Standards**

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.

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

**2.2 New and Amended Turkish Financial Reporting Standards (continued)**

**(b) New and revised IFRSs in issue but not yet effective (continued)**

**Annual Improvements to IFRS Standards 2018-2020 Cycle (continued)**

Amendments to IFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to IAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments to IFRS 1, IFRS 9, and IAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

**2.3 Significant accounting policies**

Except as described below (IFRS 16), the accounting policies applied in these interim financial statements are the same as those applied in the Group's condensed consolidated interim financial statements as at and for the year ended 31 January 2020.

The financial statements in the condensed consolidated interim financial statements for the six-months period ended on 31 July 2020 must be evaluated together with the financial statements in the condensed consolidated interim financial statements for the year ended 31 January 2020.

**IFRS 16 Leases**

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

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

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

**2.3 Significant accounting policies(continued)**

**IFRS 16 Leases (continued)**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 February 2019. Accordingly, the comparative information presented for 2018 has not been restated, under IAS 17 and related interpretations.

**Practical expedient**

- The Group has applied a single discount rate to a reasonably similar portfolio of lease contracts,
- The Group rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options
- The Group rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- Office equipment which have insignificant contract value are not included under the scope of IFRS 16.
- Initial direct costs incurred as at 1 February 2019 are not associated with the right of use assets.

**Leases**

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

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

**2.3 Significant accounting policies(continued)**

**IFRS 16 Leases (continued)**

**Right of use assets**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

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

**Lease liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

**3 Seasonality of operations**

The condensed consolidated interim financial statements of the Group also comprise the effects of seasonality. Therefore, the six months operating results for the period ended 31 July 2020 are not indicative of the results for the financial year.

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## Notes to the Condensed Consolidated Interim Financial Statements

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### 4 Operating segments

	1 February- 31 July 2020			1 May - 31 July 2020			1 February- 31 July 2019			1 May - 31 July 2019		
	Reportable segment			Reportable segment			Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total	Turkey	International	Total	Turkey	International	Total
Segment revenue <sup>(1)</sup>	761,283	163,643	924,926	456,540	81,264	537,804	1,095,084	245,036	1,340,120	571,351	120,416	691,767
-Retail	524,368	15,367	539,735	334,145	8,904	343,049	840,115	30,697	870,812	474,623	17,240	491,863
-Wholesale	154,005	109,806	263,811	61,091	51,093	112,184	226,297	188,422	414,719	82,568	90,242	172,810
-E-commerce	82,910	38,470	121,380	61,304	21,267	82,571	28,672	25,917	54,589	14,160	12,934	27,094
Segment profit before tax	(32,514)	(43,692)	(76,206)	11,079	(20,146)	(9,067)	37,610	3,220	40,830	27,639	1,000	28,639

	31 July 2020			31 January 2020		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Total segment assets	2,083,128	447,705	2,530,833	1,590,804	346,620	1,937,424
Total segment liabilities	1,760,642	309,604	2,070,246	1,222,165	237,595	1,459,760

The Group has 2 strategic operating segments based on the geographical areas where sales are generated. These divisions are managed separately because they require different trading and marketing strategies. International segment comprises Europe, USA, Canada, Russia and rest of the world.

<sup>(1)</sup> Segment revenue comprised of third party sales after elimination between consolidated entities.

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**5 Cash and cash equivalents**

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

	<b>31 July 2020</b>	<b>31 January 2020</b>
Cash on hand	9,685	1,515
Cash at banks	579,804	174,739
<i>Demand deposits</i>	61,809	26,429
<i>Time deposits</i>	517,995	148,310
Other cash and cash equivalents	148,743	134,584
<b>Cash and cash equivalents</b>	<b>738,232</b>	<b>310,838</b>

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

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

	<b>Maturity</b>	<b>Interest rate</b>	<b>31 July 2020</b>
TL	4 August 2020	8.60%-8.75%	446,750
USD	4 August 2020	0.25%-0.75%	71,245
			<b>517,995</b>

	<b>Maturity</b>	<b>Interest rate</b>	<b>31 January 2020</b>
TL	3 February 2020	10.26%	148,310
			<b>148,310</b>

As at 31 July 2020 and 31 January 2020, there is no restriction or blockage on cash and cash equivalents. The Group's exposure to foreign currency risk and sensitivity analyses are disclosed in Note 24.

**6 Loans and borrowings**

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

	<b>31 July 2020</b>	<b>31 January 2020</b>
<b><u>Current liabilities</u></b>		
Unsecured bank loans	326,104	74,748
Current portion of unsecured bank loans	281,194	160,946
Contractual lease liabilities	202,360	197,954
	<b>809,658</b>	<b>433,648</b>
<b><u>Non-current liabilities</u></b>		
Unsecured bank loans	215,432	84,098
Contractual lease liabilities	255,760	240,769
	<b>471,192</b>	<b>324,867</b>

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

	<b>31 July 2020</b>	<b>31 January 2020</b>
Bank loans <sup>(1)</sup>	822,730	319,792
Contractual lease liabilities	458,120	438,723
	<b>1,280,850</b>	<b>758,515</b>

<sup>(1)</sup> Bank loans comprise financial liabilities to participation banks amounting to TL 81.471. (31 January 2020 : nil)

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**6 Loans and borrowings (continued)**

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

	31 July 2020	31 January 2020
Less than one year	607,298	235,694
One to two years	215,432	83,813
Two to three years	--	285
	<b>822,730</b>	<b>319,792</b>

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

31 July 2020					
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0.40%-3.50%	2020-2021	106,142	106,304
Unsecured bank loans	TL	7.77%-10.82%	2021-2022	568,003	572,345
Unsecured bank loans	USD	2.90%-3.73%	2021-2022	57,982	58,676
Unsecured bank loans	RUB	11.50%-13.94%	2021	51,299	51,981
Unsecured bank loans	CAD	2.95%	2020	33,424	33,424
				<b>816,850</b>	<b>822,730</b>

31 January 2020					
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0.65%-4.10%	2020	55,051	55,234
Unsecured bank loans	TL	11.55%-23.56%	2020-2022	183,076	184,407
Unsecured bank loans	USD	3.90%-4.77%	2020-2022	29,410	29,627
Unsecured bank loans	RUB	12.95%-13.94%	2020-2021	37,610	38,038
Unsecured bank loans	CAD	3.95%	2020	12,486	12,486
				<b>317,633</b>	<b>319,792</b>

The Group's exposure to foreign currency and sensitivity analyses for financial liabilities are disclosed in Note 24.

Short term portion of long term liabilities	31 July 2020	31 January 2020
Lease liabilities	215,577	212,175
Deferred lease borrowing cost (-)	(13,217)	(14,221)
	<b>202,360</b>	<b>197,954</b>
<b>Long term lease liabilities</b>		
Lease liabilities	368,598	362,855
Deferred lease borrowing costs (-)	(112,838)	(122,086)
	<b>255,760</b>	<b>240,769</b>
<b>Total contractual lease liabilities</b>	<b>458,120</b>	<b>438,723</b>

# Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

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#### 7 Related party

Related parties in condensed consolidated interim 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 July 2020, the members of the Akarlılar Family (Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar) are the controlling shareholders of the Group with a total ownership interest of 27.41% where 27.19% is the direct ownership interest and 0.22% is the indirect ownership interest through Blue International Holding B.V.

#### (a) Related party balances

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

	31 July 2020	31 January 2020
Erak Giyim Sanayi Tic. A.Ş. ("Erak") <sup>(1)</sup>	14,573	16,824
	<b>14,573</b>	<b>16,824</b>

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

	31 July 2020	31 January 2020
<b>Due to related parties</b>		
Erak <sup>(1)</sup>	92,482	175,262
Akay Lelmalabis Elgazhizah LLC ("Akay") <sup>(2)</sup>	30,176	21,542
	<b>122,658</b>	<b>196,804</b>

<sup>(1)</sup> 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 without guarantee and non-interest bearing. Purchases from Erak have 90 days repayment date.

<sup>(2)</sup> Amount comprise of inventory purchases to subsidiary Akay situated in Egypt. Amounts are without guarantee and non-interest bearing Purchases from Akay have 90 days repayment date.

#### (b) Related party transactions

	31 July 2020	31 January 2020
<b>Other payables to related parties</b>		
Eflatun Giyim shareholders	176	126
<b>Short term other payables to related parties</b>	<b>176</b>	<b>126</b>

	31 July 2020	31 January 2020
<b>Due to short term contractual lease liabilities</b>		
Sylvia House Inc.	686	566
Mavi Jeans Holding Inc.	1,143	987
	<b>1,829</b>	<b>1,553</b>

	31 July 2020	31 January 2020
<b>Due to long term contractual lease liabilities</b>		
Sylvia House Inc.	1,094	1,238
Mavi Jeans Holding Inc.	1,768	1,991
	<b>2,862</b>	<b>3,229</b>



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**7 Related party (continued)**

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

For the six months period ended 31 July 2020 and 2019, purchases from related parties of the Group comprised the following:

	<b>1 February – 31 July 2020</b>	<b>1 May – 31 July 2020</b>	<b>1 February – 31 July 2019</b>	<b>1 May – 31 July 2019</b>
<b>Purchase from related parties</b>				
Erak	155,030	56,561	266,177	140,407
Akay	33,649	18,684	42,217	21,953
	<b>188,679</b>	<b>75,245</b>	<b>308,394</b>	<b>162,360</b>

For the six months period ended 31 July 2020 and 2019, the services from related parties of the Group comprised the following:

	<b>1 February – 31 July 2020</b>	<b>1 May – 31 July 2020</b>	<b>1 February – 31 July 2019</b>	<b>1 May – 31 July 2019</b>
<b>Services from related parties</b>				
Erak <sup>(1)</sup>	544	271	777	593
Mavi Jeans Holding Inc. <sup>(2)</sup>	604	317	457	236
Sylvia House Inc. <sup>(3)</sup>	443	226	352	190
	<b>1,591</b>	<b>814</b>	<b>1,586</b>	<b>1,019</b>

(1) The Group rented Çerkezköy and Bayrampaşa retail stores from Erak.

(2) Mavi Canada rented its Office and warehouse from Mavi Jeans Holding Inc.

(3) Mavi Canada rented its office in Yeltown, Vancouver from Sylvia House Inc.

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

For the six months period ended 31 July 2020, short term benefits provided to senior management and board of directors amounted to TL 24,849 (31 July 2019: TL 24,583).

For the six months period ended 31 July 2020, the Group does not have any payables to any board of director or key management personnel of the Group.

**8 Trade receivables and payables**

**Short term trade receivables**

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

	<b>31 July 2020</b>	<b>31 January 2020</b>
Trade receivables from third parties	198,481	231,101
	<b>198,481</b>	<b>231,101</b>

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**8 Trade receivables and payables (continued)**

**Short term trade receivables (continued)**

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

	<b>31 July 2020</b>	<b>31 January 2020</b>
Trade receivables	171,715	190,994
Post-dated cheques	19,199	12,835
Endorsed cheques	8,752	4,051
Notes receivables	951	24,653
Expected credit losses (-)	(2,136)	(1,432)
Doubtful receivables	20,240	17,709
Allowance for doubtful receivables (-)	(20,240)	(17,709)
	<b>198,481</b>	<b>231,101</b>

Details related to Group's exposure to foreign currency risk for short term trade receivables is disclosed in Note 24.

**Short term trade payables**

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

	<b>31 July 2020</b>	<b>31 January 2020</b>
Trade payables to third parties	538,855	400,479
Trade payables to related parties	122,658	196,804
	<b>661,513</b>	<b>597,283</b>

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

Details related to Group's exposure to foreign currency risk for short term trade payables is disclosed in Note 24.

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

	<b>31 July 2020</b>	<b>31 January 2020</b>
Trade payables to third parties <sup>(1)</sup>	524,022	394,516
Expense accruals	14,833	5,963
	<b>538,855</b>	<b>400,479</b>

- (1) Trade payables to third parties comprise import factoring payables amounting TL 102,969 (31 January 2020: TL 67,242). The Company performs import factoring for the good purchases from abroad. Within the scope of import factoring, foreign suppliers transfer their receivables from the Company to the financial institutions where the Company works with confirmation of assignment.

**9 Inventories**

As at 31 July 2020 and 31 January 2020, inventories are as follows:

	<b>31 July 2020</b>	<b>31 January 2020</b>
Trade goods	581,556	490,342
Consignment trade goods	28,954	29,898
Goods in transit	20,242	525
Provision for impairment on inventory (-)	(40,291)	(24,701)
	<b>590,461</b>	<b>496,064</b>

As at 31 July 2020 there is no restriction/ pledge on inventories (31 January 2020: nil).

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**9 Inventories (continued)**

As at 31 July 2020 and 2019, the provision for impairment on inventory is as follows:

	<b>31 July 2020</b>	<b>31 July 2019</b>
<b>Opening balance</b>	<b>24,701</b>	<b>15,067</b>
Provision for the year	31,080	13,433
Effect of movements in exchange rates	1,862	(407)
Provision cancellations	--	(442)
Write-off	(17,352)	(9,194)
<b>Closing balance</b>	<b>40,291</b>	<b>18,457</b>

As of the period ending on 31 July 2020, inventories of TL 31,080 (31 July 2019: TL 13,433) 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 period and included in “cost of sales”. In addition, for the year ended on 31 July 2020, inventories of TL 17,352 (31 July 2019: TL 9,194) were disposed and written off.

**10 Property and equipment and intangible assets**

The amount of tangible and intangible assets purchased during the six months period ended 31 July 2020 is TL 61,926 (31 July 2019: TL 52,838).

Net book value of tangible and intangible assets sold during the six months period ended 31 July 2020 amounted to TL 3,598 (31 July 2019: TL 253).

The depreciation charge for the six months period ended 31 July 2020 is TL 42,766 (31 July 2019: TL 36,280). The depreciation charge of TL 177 for the six months period ended 31 July 2020 is capitalized in accordance with incentive program. (31 July 2019: TL 217).

**11 Goodwill**

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

	<b>31 July 2020</b>	<b>31 January 2020</b>
Mavi USA	159,249	137,083
Mavi Canada	15,616	13,582
Other	3,733	3,733
	<b>178,598</b>	<b>154,398</b>

As of 31 July 2020, the increase in goodwill is related to foreign currency translation differences on goodwill recognized at foreign subsidiaries.

**Impairment testing for cash generating units (CGU) 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 July 2020. The income approach (discounted cash flow method) is used to determine the fair value of CGUs of Mavi USA and Mavi Canada.

The Group used 5 years business plans prepared by the Company management for the valuation of CGUs. The growth of business plans of Mavi USA and Mavi Canada is associated with an increase in the number of customers and growth in the market.

As of 31 July 2020, the impairment test performed on CGU based is resulted with no impairment loss to be recorded for Mavi USA and Mavi Canada.

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### 11 Goodwill (continued)

#### 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 6.9%, 1.2%, 18.8% (31 January 2020: 11.0%, 1.8%, 22.3%) 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 6.9%, 0.9%, 11.1% (31 January 2020: 10.4%, 2.2%, 12.7%) 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.

### 12 Right of use assets

For the period ended 31 July 2020, the movement of right of use assets is as follows:

Cost	Buildings	Store	Vehicles	Warehouse	Total
1 February 2020 balance	54,570	538,768	6,970	4,309	604,617
Additions	3,028	20,073	12,560	20,266	55,927
Modification	5,391	56,565	24	642	62,622
Disposals	(412)	(12,743)	(2,551)	(1,967)	(17,673)
Effect of movements in exchange rates	4,955	3,163	573	1,443	10,134
Closing balance as of 31 July 2020	67,532	605,826	17,576	24,693	715,627

Accumulated depreciation	Buildings	Store	Vehicles	Warehouse	Total
1 February 2020 balance	13,629	178,029	4,353	1,927	197,938
Charge for the year	7,008	96,514	2,841	1,277	107,640
Disposals	(306)	(8,419)	(2,558)	(1,962)	(13,245)
Effect of movements in exchange rates	1,414	932	284	234	2,864
Closing balance as of 31 July 2020	21,745	267,056	4,920	1,476	295,197

Carrying value as of 31 July 2020	45,787	338,770	12,656	23,217	420,430
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**12 Right of use assets (continued)**

For the period ended 31 July 2019, the movement of right of use assets is as follows:

<b>Cost</b>	<b>Buildings</b>	<b>Store</b>	<b>Vehicles</b>	<b>Warehouse</b>	<b>Total</b>
<b>1 February 2019 balance</b>	<b>23,602</b>	<b>436,517</b>	<b>6,163</b>	<b>3,580</b>	<b>469,862</b>
Additions	25,715	22,490	50	43	<b>48,298</b>
Disposals	--	(2,183)	--	--	<b>(2,183)</b>
Effect of movements in exchange rates	1,280	2,556	120	197	<b>4,153</b>
<b>Closing balance as of 31 July 2019</b>	<b>50,597</b>	<b>459,380</b>	<b>6,333</b>	<b>3,820</b>	<b>520,130</b>

<b>Accumulated depreciation</b>	<b>Buildings</b>	<b>Store</b>	<b>Vehicles</b>	<b>Warehouse</b>	<b>Total</b>
Charge for the year	6,066	91,227	2,144	890	<b>100,327</b>
Disposals	--	(770)	--	--	<b>(770)</b>
Effect of movements in exchange rates	(61)	(63)	(13)	(11)	<b>(148)</b>
<b>Closing balance as of 31 July 2019</b>	<b>6,005</b>	<b>90,394</b>	<b>2,131</b>	<b>879</b>	<b>99,409</b>

<b>Carrying value as of 31 July 2019</b>	<b>44,592</b>	<b>368,986</b>	<b>4,202</b>	<b>2,941</b>	<b>420,721</b>
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**13 Provisions, contingent assets and liabilities**

**Short term provisions**

As at 31 July 2020 and 31 January 2020, short term provisions are as follows:

	<b>31 July 2020</b>	<b>31 January 2020</b>
Provision for employee benefits	5,813	3,118
Other short term provisions	16,319	13,447
	<b>22,132</b>	<b>16,565</b>

Short term provision for employee benefits consists of provision for vacation pay liability. For the periods ended 31 July, the movement of provision for vacation liability is as follows:

	<b>2020</b>	<b>2019</b>
<b>1 February balance</b>	<b>3,118</b>	<b>2,679</b>
Effect of movements in exchange rates	150	104
Payments	(1,071)	(387)
Current period provision	3,616	2,113
<b>31 July balance</b>	<b>5,813</b>	<b>4,509</b>

*Short term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term vacation pay liability if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

**Short term provisions (continued)**

*Short term employee benefits (continued)*

In accordance with the existing labour law in Turkey, the Company is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated. Vacation pay liability is the total undiscounted liability of the deserved and unused vacation days of all employees. Vacation pay liability is calculated by remaining number of unused vacation days and average daily salary.

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

	<b>31 July 2020</b>	<b>31 January 2020</b>
Sales return provision	7,988	7,220
Legal provision <sup>(1)</sup>	2,843	2,487
Other provisions	5,488	3,740
	<b>16,319</b>	<b>13,447</b>

<sup>(1)</sup> Legal provision mainly comprised of labour lawsuits.

For the six months ended 31 July 2020 and 2019, the movement of short-term provision is as follows:

	<b>Legal provision</b>	<b>Return provisions</b>	<b>Other provisions</b>	<b>Total</b>
<b>1 February 2020 balance</b>	<b>2,487</b>	<b>7,220</b>	<b>3,740</b>	<b>13,447</b>
Current year provision	356	494	1,386	2,236
Effect of movements in exchange rates	--	1,164	152	1,316
Provisions used during year	--	--	417	417
Provisions cancelled during year	--	(890)	(207)	(1,097)
<b>31 July 2020 balance</b>	<b>2,843</b>	<b>7,988</b>	<b>5,488</b>	<b>16,319</b>

	<b>Legal provision</b>	<b>Return provisions</b>	<b>Other provisions</b>	<b>Total</b>
<b>1 February 2019 balance</b>	<b>1,863</b>	<b>5,014</b>	<b>3,478</b>	<b>10,355</b>
Current year provision	709	351	183	1,243
Effect of movements in exchange rates	--	122	340	462
Provisions cancelled during year	--	(342)	(283)	(625)
<b>31 July 2019 balance</b>	<b>2,572</b>	<b>5,145</b>	<b>3,718</b>	<b>11,435</b>

**Long term provisions**

As at 31 July 2020, long term provisions consist of severance pay liabilities in amount of TL 8,173 (31 January 2020: TL 7,931).

For the years ended 31 January 2020 and 2019 the movement of provision for severance pay liability is as follows:

	<b>1 February 2020 – 31 July 2020</b>	<b>1 February 2019 – 31 July 2019</b>
<b>Opening balance</b>	<b>7,931</b>	<b>5,018</b>
Interest cost	343	276
Service cost	1,900	3,546
Paid benefits	(2,508)	(3,213)
Effect of movements in exchange rates	(31)	79
Actuarial difference	538	142
<b>Ending balance</b>	<b>8,173</b>	<b>5,848</b>

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#### 14 Commitments

##### (a) Warranties, pledges and mortgages

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

	31 July 2020					
	TL Equivalent	TL	EUR	RUB	USD	CAD
<b>A. On behalf of its own legal personality of the total amount of GPMs</b>	<b>225,596</b>	<b>92,780</b>	<b>14,865</b>	--	<b>1,686</b>	--
Guarantee	225,596	92,780	14,865	--	1,686	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
<b>B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries</b>	<b>44,650</b>	<b>--</b>	<b>156</b>	<b>19,694</b>	<b>--</b>	<b>8,000</b>
Guarantee	44,650	--	156	19,694	--	8,000
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
<b>C. Total amount of GPM given to conduct other 3<sup>rd</sup> parties to guarantee the depts.</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Guarantee	--	--	--	--	--	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
<b>D. Total amount of other GPM</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
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	--	--	--	--	--	--
<b>Total GPM</b>	<b>270,246</b>	<b>92,780</b>	<b>15,021</b>	<b>19,694</b>	<b>1,686</b>	<b>8,000</b>

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14

### Commitments (continued)

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

	31 January 2020				
	TL Equivalent	TL	EUR	RUB	USD
<b>A. On behalf of its own legal personality of the total amount of GPMs</b>	<b>136,845</b>	<b>32,383</b>	<b>14,093</b>	--	<b>1,969</b>
Guarantee	136,845	32,383	14,093	--	1,969
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
<b>B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries</b>	<b>3,066</b>	<b>--</b>	<b>246</b>	<b>15,357</b>	<b>--</b>
Guarantee	3,066	--	246	15,357	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
<b>C. Total amount of GPM given to conduct other 3<sup>rd</sup> parties to guarantee the depts.</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
<b>D. Total amount of other GPM</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
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	--	--	--	--	--
<b>Total GPM</b>	<b>139,911</b>	<b>32,383</b>	<b>14,339</b>	<b>15,357</b>	<b>1,969</b>



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**14 Commitments (continued)**

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

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

As of 31 July 2020, letter of guarantees given to third parties for an amount of TL 148,901 are representing guarantee letters obtained as part of general loan agreements and given to Eximbank for the purpose of importing goods (31 January 2020: TL 68,163).

The Group has purchase commitments related to inventory amounting to TL 502,374 as of 31 July 2020 (31 January 2020: TL 647,411).

**(b) Guarantees received**

As of 31 July 2020, Group has received letter of guarantees for the amount of TL 7,139 as in the form of security (31 January 2020: TL 9,021).

**15 Capital, reserves and other capital reserves**

**Paid-in capital**

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

	<b>%</b>	<b>31 July 2020</b>	<b>%</b>	<b>31 January 2020</b>
Akarlılar Family	27.19	13,500	27.19	13,500
Blue International	0.22	108	0.22	108
Publicly held	72.60	36,049	72.60	36,049
	<b>100.00</b>	<b>49,657</b>	<b>100.00</b>	<b>49,657</b>

As of 31 July 2020 paid-in capital of the Company comprises 49,657,000 shares issued of TL 1 each (31 January 2020: 49,657,000 shares).

**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 July 2020, the Company's legal reserves are amounting to TL 19,771 (31 January 2020: TL 19,771).

**Hedging reserve**

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

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**16 Selling, marketing and distribution expenses**

For the six months periods ended 31 July 2020 and 2019, selling, marketing and distribution expenses comprised the following:

	<b>1 February – 31 July 2020</b>	<b>1 May – 31 July 2020</b>	<b>1 February – 31 July 2019</b>	<b>1 May – 31 July 2019</b>
Depreciation and amortization expenses	128,089	66,855	122,059	62,918
Personnel expenses	118,292	59,417	138,296	74,550
Rent expenses	40,430	29,381	44,854	25,452
Outsourced logistics expenses	22,575	13,102	21,184	9,968
Advertising expenses	18,764	9,208	19,277	8,231
Freight-out expenses	16,006	8,837	13,912	6,615
Travel expenses	1,882	779	3,910	1,927
Other	55,045	32,244	46,601	22,591
	<b>401,083</b>	<b>219,823</b>	<b>410,093</b>	<b>212,252</b>

**17 Other operating income and expense**

For the six months periods ended 31 July 2020 and 2019, other income comprised the following:

	<b>1 February – 31 July 2020</b>	<b>1 May – 31 July 2020</b>	<b>1 February – 31 July 2019</b>	<b>1 May – 31 July 2019</b>
Foreign exchange gain, net	4,087	1,000	345	(3,008)
Interest income on trade receivables and payables, net	1,415	425	148	(1,820)
Investment support income	690	--	--	--
Salary protocol income	989	495	267	45
Reversal of expected credit loss	52	(24)	164	42
Damage compensation income <sup>(1)</sup>	--	--	70	--
Other	2,253	1,677	86	(89)
	<b>9,486</b>	<b>3,573</b>	<b>1,080</b>	<b>(4,830)</b>

<sup>(1)</sup> Income from insurance claims.

For the six months periods ended 31 July 2020 and 2019, other expenses comprised the following:

	<b>1 February – 31 July 2020</b>	<b>1 May – 31 July 2020</b>	<b>1 February – 31 July 2019</b>	<b>1 May – 31 July 2019</b>
Foreign exchange loss, net	767	(482)	690	(463)
Expected credit loss	438	296	265	53
Decoration expense	--	--	73	73
Other	661	178	72	46
	<b>1,866</b>	<b>(8)</b>	<b>1,100</b>	<b>(291)</b>

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**18 Gains and losses from investment activities**

For the six months periods ended 31 July 2020 and 2019, losses from investment activities comprised the following:

	<b>1 February – 31 July 2020</b>	<b>1 May – 31 July 2020</b>	<b>1 February – 31 July 2019</b>	<b>1 May – 31 July 2019</b>
Losses on sale of fixed assets	1,416	1,031	179	(25)
	<b>1,416</b>	<b>1,031</b>	<b>179</b>	<b>(25)</b>

**19 Finance income**

For the six months periods ended 31 July 2020 and 2019, finance income comprised the following:

	<b>1 February – 31 July 2020</b>	<b>1 May – 31 July 2020</b>	<b>1 February – 31 July 2019</b>	<b>1 May – 31 July 2019</b>
Interest income on time deposits	19,964	12,357	3,405	2,541
Foreign exchange gain	5,897	694	2,002	1,440
Other <sup>(1)</sup>	58,461	37,598	1	--
	<b>84,322</b>	<b>50,649</b>	<b>5,408</b>	<b>3,981</b>

<sup>(1)</sup>Other finance income consists of discounts related with rent payments amounting TL 58,423 due to Covid-19 pandemic.

**20 Finance costs**

For the six months periods ended 31 July 2020 and 2019, finance costs comprised the following:

	<b>1 February – 31 July 2020</b>	<b>1 May – 31 July 2020</b>	<b>1 February – 31 July 2019</b>	<b>1 May – 31 July 2019</b>
<b>Interest expense on:</b>				
Interest expenses on purchases	9,488	5,436	34,175	16,788
Financial liabilities measured at amortised cost	45,235	28,213	43,442	22,443
Interest expenses on contractual lease liabilities	33,356	17,743	37,162	18,851
	<b>88,079</b>	<b>51,392</b>	<b>114,779</b>	<b>58,082</b>
Credit card commission expenses	3,083	1,637	4,486	2,699
Import financing expenses	6,416	3,008	3,827	2,290
Foreign exchange loss	14,370	6,290	1	--
Change in fair value of forward contracts	--	--	875	514
Other	4,038	1,802	941	519
	<b>115,986</b>	<b>64,129</b>	<b>124,909</b>	<b>64,104</b>

**21 Income taxes**

Corporate tax rate of Turkey is 22% (31 July 2019 :22%). For the six months period ended 31 July 2020, Group's effective tax rate is 23% (31 July 2019 :23%).

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**22 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 periods ended 31 July 2020 and 2019 is as follows:

	<b>1 February – 31 July 2020</b>	<b>1 May – 31 July 2020</b>	<b>1 February – 31 July 2019</b>	<b>1 May – 31 July 2019</b>
Net profit for the year attributable to owners of the Company	(54,657)	(4,569)	27,690	20,948
Weighted average number of ordinary shares (basic)	49,657,000	49,657,000	49,657,000	49,657,000
<b>Earnings per share</b>	<b>(1.1007)</b>	<b>(0.0920)</b>	<b>0.5576</b>	<b>0.4218</b>

**23 Derivative financial instruments**

As at 31 July 2020 and 31 January 2020, short term derivative liabilities are as follows:

	<b>31 July 2020</b>	<b>31 January 2020</b>
Assets from the forward exchange contracts	4,423	1,214
	<b>4,423</b>	<b>1,214</b>

As of 31 July 2020, the Group has open forward exchange contracts to hedge the foreign currency risk on inventory purchases in amount of USD 16,383 thousand in equivalent of TL 113,655. By applying hedge accounting, the fair value difference of TL 4,423, resulting from such forward transactions, is recognized in other comprehensive income.

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### 24 Nature and level of risks related to financial instruments

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### Currency risk

The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The main currencies used in these transactions are Euro and USD.

The Group uses derivative financial instruments such as short-term forward foreign exchange contracts to hedge currency risk.

Currency of loans are mainly denominated in TL with match the cash flows generated from operations of the Group. In such way, Group protects itself from financial risks without using derivative instruments.

#### Interest rate risk

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

#### Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure in order to reduce the cost of capital.

#### Currency Risk

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

	<u>31 July 2020</u>	<u>31 January 2020</u>
TL / EUR	8.1481	6.5782
TL / USD	6.9372	5.9716
TL / RUB	0.0953	0.0943
TL / CAD	5.1878	4.5119

The foreign currency average exchange rates for the six months period ended 31 July 2020 and 2019 are as follows:

	<u>1 February – 31 July 2020</u>	<u>1 February – 31 July 2019</u>
EUR / TL	7.3430	6.3861
USD / TL	6.6326	5.6714
RUB / TL	0.0929	0.0873
CAD / TL	4.8291	4.2566

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

#### Market risk

#### Currency risk

As of 31 July 2020, the Group's foreign currency position specified in the following table arises from foreign currency denominated assets and liabilities.

	TL Equivalent	USD	EUR	Other
1. Trade receivables	6,551	525	--	2,909
2a. Monetary financial assets (including cash banks)	79,214	10,451	643	1,473
2b. Non-monetary financial assets	--	--	--	--
3. Other	22,256	3,207	1	--
<b>4. Current assets (1+2+3)</b>	<b>108,021</b>	<b>14,183</b>	<b>644</b>	<b>4,382</b>
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
<b>8. Non-current assets (5+6+7)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. Total assets (4+8)</b>	<b>108,021</b>	<b>14,183</b>	<b>644</b>	<b>4,382</b>
10. Trade payables	6,898	445	406	503
11. Financial liabilities	85,030	369	10,122	--
12a. Monetary other liabilities	--	--	--	--
12b. Non-monetary other liabilities	--	--	--	--
<b>13. Short term liabilities (10+11+12)</b>	<b>91,928</b>	<b>814</b>	<b>10,528</b>	<b>503</b>
14. Trade payables	--	--	--	--
15. Financial liabilities	3,816	279	230	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
<b>17. Long term liabilities (14+15+16)</b>	<b>3,816</b>	<b>279</b>	<b>230</b>	<b>--</b>
<b>18. Total liabilities (13+17)</b>	<b>95,744</b>	<b>1,093</b>	<b>10,758</b>	<b>503</b>
<b>19. Net Asset/(Liability) Position of derivative instruments (19a-19b)</b>	<b>(113,655)</b>	<b>(16,383)</b>	<b>--</b>	<b>--</b>
<b>19a. Hedged total asset</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>19b. Hedged total liabilities</b>	<b>113,655</b>	<b>16,383</b>	<b>--</b>	<b>--</b>
<b>20. Position of net foreign currency assets/liabilities (9+18-19)</b>	<b>(101,378)</b>	<b>(3,293)</b>	<b>(10,114)</b>	<b>3,879</b>
<b>21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(9,979)</b>	<b>9,883</b>	<b>(10,114)</b>	<b>3,879</b>

As at 31 July 2020, Mavi Turkey has trade receivables amounting to TL 11,632 from consolidated subsidiaries which comprise; EUR 448 thousand, USD 26 thousand, CAD 44 thousand and RUB 79,475 thousand. These amounts have been eliminated in consolidation. Considering these receivables, the Group's net foreign currency monetary assets position amounts to TL 1,653.

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

**Market risk** (continued)

**Currency risk** (continued)

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

	TL Equivalent	USD	Euro	Other
1. Trade receivables	9,923	1,004	--	3,927
2a. Monetary financial assets (including cash. banks)	21,294	2,621	835	149
2b. Non-monetary financial assets	--	--	--	--
3. Other	1,164	132	58	--
<b>4. Current assets (1+2+3)</b>	<b>32,381</b>	<b>3,757</b>	<b>893</b>	<b>4,076</b>
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
<b>8. Non-current assets (5+6+7)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. Total assets (4+8)</b>	<b>32,381</b>	<b>3,757</b>	<b>893</b>	<b>4,076</b>
10. Trade payables	4,349	480	209	105
11. Financial liabilities	43,217	452	6,159	--
12a. Monetary other liabilities	--	--	--	--
12b. Non-monetary other liabilities	--	--	--	--
<b>13. Short term liabilities (10+11+12)</b>	<b>47,566</b>	<b>932</b>	<b>6,368</b>	<b>105</b>
14. Trade payables	--	--	--	--
15. Financial liabilities	4,207	483	272	(462)
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
<b>17. Long term liabilities (14+15+16)</b>	<b>4,207</b>	<b>483</b>	<b>272</b>	<b>(462)</b>
<b>18. Total liabilities (13+17)</b>	<b>51,773</b>	<b>1,415</b>	<b>6,640</b>	<b>(357)</b>
<b>19. Net Asset/(Liability) Position of derivative instruments (19a-19b)</b>	<b>(118,905)</b>	<b>(19,912)</b>	<b>--</b>	<b>--</b>
19a. Hedged total asset	--	--	--	--
19b. Hedged total liabilities	118,905	19,912	--	--
<b>20. Position of net foreign currency assets/liabilities (9+18-19)</b>	<b>(138,297)</b>	<b>(17,570)</b>	<b>(5,747)</b>	<b>4,433</b>
<b>21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(20,556)</b>	<b>2,210</b>	<b>(5,805)</b>	<b>4,433</b>

As at 31 January 2020, Mavi Turkey has trade receivables amounting to TL 20,825 from consolidated subsidiaries which comprise; EUR 2,200 thousand, USD 288 thousand, CAD 224 thousand and RUB 38,411 thousand. These amounts have been eliminated in consolidation. Considering these receivables, the Group's net foreign currency monetary assets position amounts to TL 269.

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**24 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.

<b>Foreign Currency Sensitivity Analysis</b>				
<b>31 July 2020</b>				
	<b>Profit/Loss</b>		<b>Equity</b>	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
<b>10% change of the USD against TL</b>				
1- Net USD denominated asset/liability	6,856	(6,856)	6,856	(6,856)
2- Hedged portion of TL against USD risk(-)	--	--	11,366	(11,366)
<b>3- Net effect of USD (1+2)</b>	<b>6,856</b>	<b>(6,856)</b>	<b>18,222</b>	<b>(18,222)</b>
<b>10% change of the EURO against TL</b>				
4- Net EURO denominated asset/liability	(8,242)	8,242	(8,242)	8,242
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
<b>6- Net effect of EURO (4+5)</b>	<b>(8,242)</b>	<b>8,242</b>	<b>(8,242)</b>	<b>8,242</b>
<b>10% change of other against TL</b>				
7- Net other denominated asset/liability	388	(388)	388	(388)
8- Hedged portion of TL against other risk(-)	--	--	--	--
<b>9- Net effect of other (7+8)</b>	<b>388</b>	<b>(388)</b>	<b>388</b>	<b>(388)</b>
<b>Total (3+6+9)</b>	<b>(998)</b>	<b>998</b>	<b>10,368</b>	<b>(10,368)</b>



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

**Market risk (continued)**

**Currency risk (continued)**

<b>Foreign Currency Sensitivity Analysis</b>				
<b>31 January 2020</b>				
	<b>Profit/Loss</b>		<b>Equity</b>	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
<b>10% change of the USD against TL</b>				
1- Net USD denominated asset/liability	1,320	(1,320)	1,320	(1,320)
2- Hedged portion of TL against USD risk(-)	--	--	11,890	(11,890)
<b>3- Net effect of USD (1+2)</b>	<b>1,320</b>	<b>(1,320)</b>	<b>13,210</b>	<b>(13,210)</b>
<b>10% change of the EURO against TL</b>				
4- Net EURO denominated asset/liability	(3,819)	3,819	(3,819)	3,819
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
<b>6- Net effect of EURO (4+5)</b>	<b>(3,819)</b>	<b>3,819</b>	<b>(3,819)</b>	<b>3,819</b>
<b>10% change of other against TL</b>				
7- Net other denominated asset/liability	443	(443)	443	(443)
8- Hedged portion of TL against other risk(-)	--	--	--	--
<b>9- Net effect of other (7+8)</b>	<b>443</b>	<b>(443)</b>	<b>443</b>	<b>(443)</b>
<b>Total (3+6+9)</b>	<b>(2,056)</b>	<b>2,056</b>	<b>9,834</b>	<b>(9,834)</b>

## Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements

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## 25 Financial risk management

### Fair values

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

31 July 2020	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>							
Forward exchange contracts	4,423	--	4,423	--	4,423		4,423
<b>Financial assets not measured at fair value</b>							
Trade receivables from third parties	198,481	--	198,481	--	--	--	--
Other receivables to third parties <sup>(1)</sup>	8,962	--	8,962	--	--	--	--
Cash and cash equivalents	738,232	--	738,232	--		--	--
<b>Total</b>	<b>950,098</b>	<b>--</b>	<b>950,098</b>	<b>--</b>	<b>4,423</b>	<b>--</b>	<b>4,423</b>
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at fair value</b>							
Forward exchange contracts	--	--	--	--	--	--	--
<b>Financial liabilities not measured at fair value</b>							
Other payables to related parties	--	(176)	(176)	--	--	--	--
Bank overdrafts	--	--	--	--	--	--	--
Bank loans	--	(822,730)	(822,730)	--	--	(822,730)	(822,730)
Trade payables to third parties	--	(538,855)	(538,855)	--	--	--	--
Other payables to third parties	--	(14,315)	(14,315)	--	--	--	--
Trade payables to related parties	--	(122,658)	(122,658)	--	--	--	--
<b>Total</b>	<b>--</b>	<b>(1,498,734)</b>	<b>(1,498,734)</b>	<b>--</b>	<b>--</b>	<b>(822,730)</b>	<b>(822,730)</b>

<sup>(1)</sup> Other receivables from third parties excludes deposits and guarantees given.

## Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

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#### 25 Financial risk management (continued)

##### Fair values (continued)

	Carrying amount		Fair value				
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>31 January 2020</b>							
<b>Financial assets measured at fair value</b>							
Forward exchange contracts	1,214	--	1,214	--	1,214	--	1,214
<b>Financial assets not measured at fair value</b>							
Trade receivables from third parties	231,101	--	231,101	--	--	--	--
Other receivables to third parties <sup>(1)</sup>	17,267	--	17,267	--	--	--	--
Cash and cash equivalents	310,838	--	310,838	--	--	--	--
<b>Total</b>	<b>560,420</b>	<b>--</b>	<b>560,420</b>	<b>--</b>	<b>1,214</b>	<b>--</b>	<b>1,214</b>
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at fair value</b>							
Forward exchange contracts	--	--	--	--	--	--	--
<b>Financial liabilities not measured at fair value</b>							
Other payables to related parties	--	(126)	(126)	--	--	--	--
Bank overdrafts	--	--	--	--	--	--	--
Bank loans	--	(319,792)	(319,792)	--	--	(319,792)	(319,792)
Trade payables to third parties	--	(400,479)	(400,479)	--	--	--	--
Other payables to third parties	--	(6,845)	(6,845)	--	--	--	--
Trade payables to related parties	--	(196,804)	(196,804)	--	--	--	--
<b>Total</b>	<b>--</b>	<b>(924,046)</b>	<b>(924,046)</b>	<b>--</b>	<b>--</b>	<b>(319,792)</b>	<b>(319,792)</b>

<sup>(1)</sup> Other receivables from third parties excludes deposits and guarantees given.

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**25 Financial risk management (continued)**

**Fair value disclosures**

The Group estimates the fair values of financial instruments based on market information readily available and proper valuation approaches. The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

When measuring fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

**Financial instruments measured at fair value**

Type	Valuation technique	Significant unobservable	Intra-relationship between significant unobservable inputs and fair value measurement
<b>Forward exchange contracts</b>	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 <sup>(1)</sup>	Discounted cash flows: the valuation model considers the present value of expected payment, discounted using a risk-adjusted discounted rate.
--	---

<sup>(1)</sup> Other financial liabilities include bank loans.

**26 Important developments related to the current period**

Challenges brought forward by the Covid-19 pandemic are being managed since March. All measures recommended by the local and global health authorities have been adopted in all our markets. The stores that were temporarily closed in this context started re-opening in the second quarter.

Stores in Turkey started re-opening gradually on May 12, 2020, and all stores are open since June 1, 2020. Internationally, stores in Germany and Canada re-opened in May, and stores in Russia started re-opening in June with one store still being closed. Mavi.com, marketplace, and wholesale e-com channels remained open throughout the second quarter.

## **Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries**

### **Unaudited Supplementary Information**

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

#### **26 Important developments related to the current period (continued)**

Mavi’s agile product planning and speed to shelf capabilities played an important role in delivering increased units per transaction, enabling to continuously keep fresh and relevant inventory across stores and other sales channels.

In preparing 31 July 2020 condensed consolidated interim financial statements, management has assessed the potential impacts of Covid-19 pandemic on financial statements and reviewed estimates and assumptions used in the preparation of these financial statements. In this context, the Group tested financial assets, inventories, tangible assets, and goodwill for potential impairment loss and resulted in no impairment loss to be recorded.

The Group’s nature and level of risks related to financial instruments are disclosed in Note 24.

#### **27 Subsequent events**

None.

# Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

## Unaudited Supplementary Information

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### APPENDIX 1 Ebitda reconciliation

EBITDA is not a defined performance measure in IFRS. EBITDA reconciliation for the six month period ended 31 July 2020 and 2019 are as follows:

	Note	1 February – 31 July 2020	1 May – 31 July 2020	1 February – 31 July 2019	1 May – 31 July 2019
Profit / (Loss)		(58,344)	(6,703)	31,593	21,511
Tax income / (expense)		(17,862)	(2,364)	9,237	7,128
<b>Profit / (loss) before tax</b>		<b>(76,206)</b>	<b>(9,067)</b>	<b>40,830</b>	<b>28,639</b>
Adjustment for:					
-Net finance costs		31,664	13,480	119,501	60,123
-Receivables and payables, interest net	17	(1,415)	(425)	(148)	1,820
-Receivables and payables, foreign exchange net	17	(3,320)	(1,482)	345	2,545
-Depreciation and amortization	10-12	150,229	78,301	136,390	71,215
<b>EBITDA</b>		<b>100,952</b>	<b>80,807</b>	<b>296,918</b>	<b>164,342</b>

### APPENDIX 2 Effect of IFRS 16 on Financial Statements

The effects of IFRS 16 lease standard on the Group's financial statements are presented below

	31 July 2020	IFRS 16 Effect	After IFRS 16
Current assets	1,630,608	(1,891)	1,628,717
Non-current assets	481,113	421,003	902,116
Current liabilities	1,374,188	202,360	1,576,548
Non-current liabilities	246,016	247,682	493,698
Equity	491,517	(30,930)	460,587

  

	1 February – 31 July 2020	IFRS 16 Effect	After IFRS 16
Operating profit / (loss)	(13,744)	(29,382)	(43,126)
Operating profit / (loss) before finance costs	(15,160)	(29,382)	(44,542)
Finance income	25,899	58,423	84,322
Finance expense	(81,678)	(34,308)	(115,986)
Profit / (loss) before tax	(70,939)	(5,267)	(76,206)
Net profit / (loss)	(54,187)	(4,157)	(58,344)
EBITDA	22,692	78,260	100,952