

Mavi Giyim Sanayi ve Ticaret A.Ş.
Interim Report for the Three Months Period
February 1 – April 30, 2023



TABLE of CONTENTS

- 01 Corporate Information
- 02 Operational and Financial Information
- 03 Market Information
- 04 Future Expectations
- 05 Other Developments
- 06 Summary Financial Tables

Corporate Information

01



1 - Corporate Information

This Interim Report is the Report of the Board of Directors, prepared according to CMB Communiqué II, Numbered 14.1; related to the first three months of 2023, ended April 30, 2023. Throughout this report, the Company (Mavi Giyim Sanayi ve Tic. A.Ş.) and its subsidiaries will be defined as “Mavi”, “Company” or “Group”

› About Mavi

Mavi Giyim San. ve Tic. A.Ş. was established in 1991 in Turkey. The registered address of the Company is Sultan Selim Mahallesi Eski Büyükdere Caddesi No:53 34418, Kağıthane, İstanbul.

Mavi engages in wholesale and retail sales of ready-to-wear denim apparel to local and international customers. The product range includes, denim products, knit and woven shirts, t-shirts, jackets, skirts, dresses and accessories for men, women and children. International sales operations started in 1994 and today has offices in Turkey, USA, Canada, Germany and Russia. The company now has showrooms in İstanbul, New York, Vancouver, Frankfurt, Berlin, Moscow, New Jersey, Los Angeles, Atlanta, Dallas, Toronto, Montreal, Dusseldorf, München, Hamburg, Leipzig, Sindelfingen, Heusenstamm, Zurich, Salzburg, Prague, Brussels and Almere.

The Company is a member of Büyük Mükellefler Tax Office with tax id number 613 002 7985, and registered under İstanbul Trade Registry with registration number 309315.

Fiscal year of the Company is between February 1 – January 31 in line with the fashion apparel business seasons; and this interim report is regarding the first three months ending April 30, 2023.

Official company websites are www.mavi.com and www.mavicompany.com

› Capital Structure

Company's shared capital consist of 99,314,000 shares, all of which are issued, fully paid and have a nominal value of TRY 1.00 each at the date of April 30, 2023. Authorized share capital limit is TRY 500,000,000.

Capital structure of the Group as of April 30, 2023 is as follows;

	%	30.04.2023
Fatma Elif Akarlılar	9.06	9,000,000
Seyhan Akarlılar	9.06	9,000,000
Hayriye Fethiye Akarlılar	9.06	9,000,000
Blue International Holding B.V.	0.22	216,586
Public	72.60	72,097,414
	100.00	99,314,000

Group A shares are held by Blue International Holding B.V. and are attributed with special rights by the Articles of Association of the Company. The effect of Akarlılar family members on the management of the Company remains unchanged through indirect shareholding.

The company's application to the Capital Markets Board regarding the increase of the issued capital of the Company from 99.314.000-TL to 198.628.000-TL by converting the amounts in the "Retained Earnings" account was approved as announced on CMB Bulletin dated 11.05.2023. The capital increase is in effect as of 16 May 2023.

› **Direct and Indirect Subsidiaries**

Direct and indirect subsidiaries of the Company as at April 30, 2023 are as follows;

Subsidiary	Country	Share
Mavi Europe AG	Germany	100.00%
Mavi Jeans LLC Limited	Russia	100.00%
Mavi Kazakhstan LLP	Kazakhstan	100.00%
Eflatun Giyim Yatırım Tic. A.Ş.	Turkey	51.00%
Mavi Jeans Canada	Canada	63.25%
Mavi Jeans Inc.	USA	47.69%

› **Structure and Composition of the Board of Directors**

As of April 30, 2023 the Board of Directors is as follows:

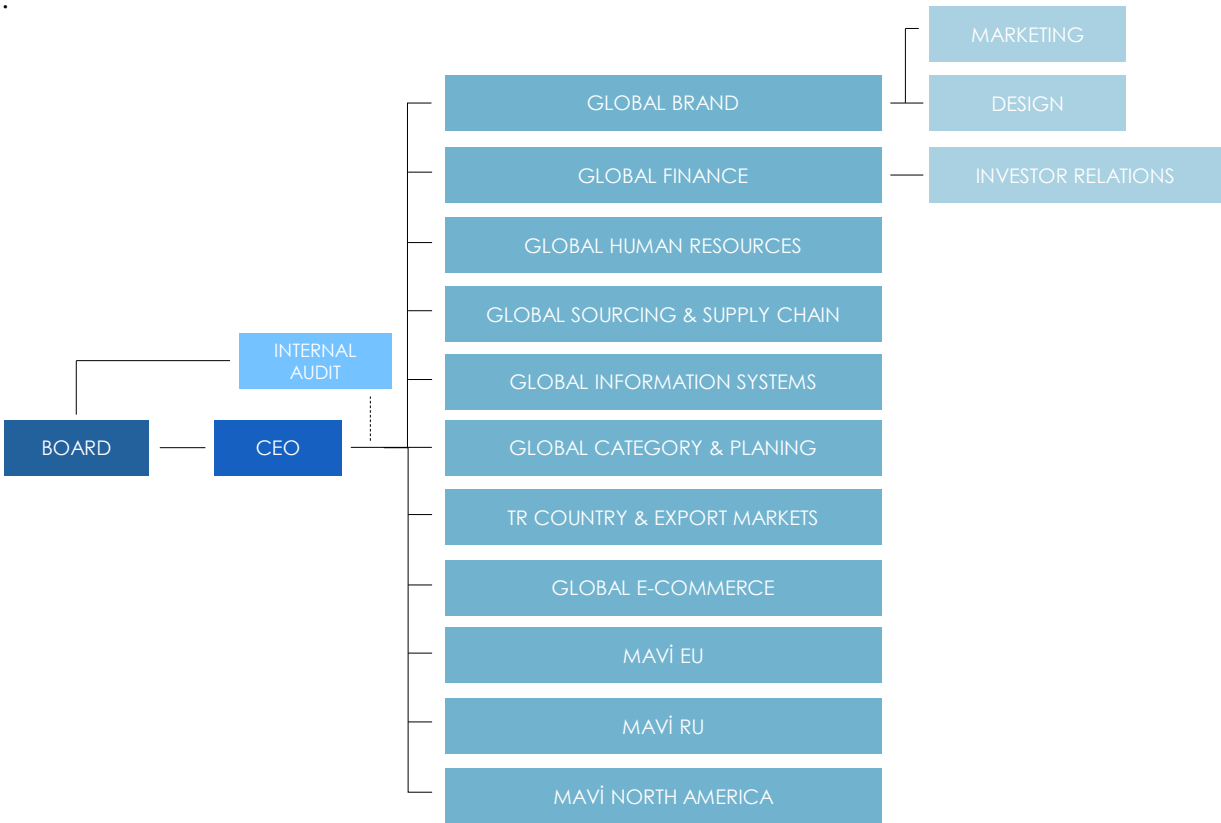
Director	Role	Executive/Independent
Ragıp Ersin Akarlılar	Chairman	Non-Executive
Ahmet F. Ashaboğlu	Vice Chairman	Independent
Fatma Elif Akarlılar	Member	Executive
Ahmet Cüneyt Yavuz	Member	Executive
Zeynep Yalım Uzun	Member	Independent
Nevzat Aydın	Member	Independent

Short biographical information about the board members can be found on the company website www.mavicompany.com.

Independent board members Ahmet F. Ashaboğlu and Nevzat Aydın are members of the Audit Committee; Chairman of the board Ragıp Ersin Akarlılar, independent board member Yonca Dervişoğlu and Investor Relations Director Duygu Inceoz are members of the Corporate Governance Committee; Chairman of the board Ragıp Ersin Akarlılar, independent board member Ahmet F. Ashaboğlu and CFO Bige İşcan Aksaray are members of the Early Identification of Risks Committee.

› **Organization Structure and Management**

As of April 30, 2023 Group's total number of employees is 5,818 (5,462 in Turkey, 356 in International offices) Following charts show the Company's organization structure and management team.



	Position	Starting Date
Cüneyt Yavuz	CEO	2008
Bige İşcan Aksaray	CFO	2019
Elif Akarlılar	Chief Brand Officer	1991
Okan Gürsan	TR Country and Export Markets Director	2018

Operational and Financial Information

02



2 - Operational and Financial Information

› Operational Developments

In the reporting period, the earthquake that devastated eleven provinces of Turkey on February 6, 2023, macroeconomic and political developments globally, high inflation environment and high consumer demand were effective on the business results.

In the first quarter of 2023, Mavi opened two stores and closed three stores in Turkey. Including 328 monobrand retail stores and 67 franchise stores in Turkey, 22 retail stores and 40 franchise stores internationally Mavi meets its customers in 457 mono-brand stores and close to 4.000 sales points globally.

In the first quarter of 2023, Turkey retail sales grew 119% and Turkey like-for-like sales grew 124%. The traffic to the stores increased 19% on top of a high base, number of transactions grew 15% and basket size grew 94%.

In the reporting period, international sales grew 50% in TRY terms and 12% constant currency.

Online sales comprising of Mavi.com and marketplace channels recorded 82% growth in Turkey and 65% growth in the international markets in the first three months to April 30, 2023. Global e-commerce sales grew by 77% and constituted 10% of total sales in the reporting period.

› Financial Developments

In the first quarter of 2023, total consolidated sales increased 109% year over year to 3 billion 947 million TRYm. Sales were realised with 49.7% gross margin, and 23.1% EBITDA margin.

In the reporting period, the company's net income realized at 515 million TL with a net income margin of 13.1%.

Throughout the period, the company generated 234 million TL operational cash resulting with a balance sheet net cash position of 1 billion 896 million TL. In the first quarter of 2023, 86 million TL capex spending was made.

› Managements Discussion and Analysis

Strong sales growth in Q1 2023 was driven both by price and volume. Almost all product categories continued to grow in number of pieces in Turkey. In the first quarter of 2023, the product cost increase year over year was significant due to the low base of last year. With a strong brand strategy, dynamic product-price planning, newness and variety in response to high consumer demand, some of the cost inflation was mitigated. The gross margin decline of 670 bps in the quarter is considered a normalisation from the extraordinary base. Management continues to prioritize brand and customer investments, dynamic supply chain management, efficient product planning and inventory management, strong balance sheet and zero fx positions for continued future success.

Market Information

03



3 - Market Information

According to Turkstat, Turkey has a population of 85.3 mn as of the end of 2022 with men constituting 50.1% and women 49.9% and with median age of 33.5. Considering Mavi's loyal customer base whose core segment consists of young, fashion-conscious men and women under the age of 35, Turkey's young population is a positive catalyst in realising its growth targets.

From a competition standpoint, the Turkish apparel market includes a mix of local and international players. According to Ipsos Mavi is the market leader with 18.5% market share in 14+ age denim market and is among the top three apparel brands in both men and women.

Mavi is a brand focused on core to premium in Turkish apparel market. Internationally, Mavi is positioned as a lifestyle aspirational brand with a product strategy built around the pillars of Perfect Fit approach, high quality for the price and customer-centric products.

In the "Fortune 500" survey, Mavi is ranked 123rd among the largest 500 enterprises in Turkey, and second among apparel, underwear, and sportswear brands. Some of the recent recognitions for the brand is as follows:

- Leader of the apparel industry in Fast Company's "Customer Experience" survey
- Winner of the "Best Sustainable Collection" category for the All Blue collection at the Rivet x Project Awards, which recognize the brands bringing newness and creativity to the global denim market, marking its 5th title
- Hands down the most preferred denim brand of all generations according to Marketing Türkiye's "Apparel Brand Choices by Generations" survey
- Top brand in consumers' apparel loyalty according to Marketing Türkiye's "Loyalty Brands of Turkey" survey
- Gold medal in the casualwear category in Social Brands Data Analytics at the Brandverse Social Media Awards (SMAT)

Future Expectations

04



4 - Future Expectations

The management announces its official guidance for 2023 on the public disclosure platform as of the date of this report, June 9, 2023 as such :

- › Consolidated sales growth of $75\% \pm 5\%$
- › 5 net store openings and 7 expansions in Turkey retail operations
- › EBITDA margin $18\% \pm 0,5\%$ exc. IFRS16 and $22\% \pm 0,5\%$ inc. IFRS16
- › Net cash position (exc. IFRS16) maintained
- › Capex to consolidated sales ratio of 3%

Other Developments

05



5 - Other Developments

Ordinary General Assembly Meeting for the financial period of 1 February 2022 – 31 January 2023 was held on April 27, 2023. The general assembly resolutions have been registered under the Istanbul Trade Registry and published on the Turkish trade Registry Gazette on May 12, 2023.

In the Ordinary General Assembly Meeting held on 27 April 2023, it was resolved to approve the cash payment of gross TRY 429,455,142.31 in dividend distribution proposal of the Board of Directors and to start the dividend payments on May 10th 2023.

On 14 March 2023, the Board of Directors resolved within the registered capital ceiling of 500,000,000-TRY , the issued capital increase of the Company from 99,314,000 TRY to 198,628,000-TRY by converting the amounts in the "Retained Earnings" account into share capital. The decision was approved by the Capita Markets Board as announced on CMB Bulletin dated 11.05.2023. The capital increase is in effect as of May 16th 2023.

Independent board members Ahmet F. Ashaboğlu and Nevzat Aydın has been appointed as members of the Audit Committee, chairman of the board Ragıp Ersin Akarlılar, independent board member Zeynep Yalim Uzun and investor relations director Duygu Inceoz has been appointed as members of Corporate Governance Committee, chairman of the board Ragıp Ersin Akarlılar, independent board member Ahmet F. Ashaboğlu and CFO Bige İşcan Aksaray has been appointed as members of the Early Identification of Risks Committee.

Mavi has initiated the process to build its own solar power plant in line with its All Blue sustainability strategy and its goal of becoming a climate-positive company by 2050. Mavi, which currently purchases renewable energy, filed an application for a call letter with the Ministry of Environment, Urbanization and Climate Change within the framework of the "Regulation on Unlicensed Electricity Generation in the Electricity Market" to build a Solar Power Plant with an installed capacity of 8,308.30 MWp / 6,600 MWe in the Yenice district of the Sivrihisar county in the province of Eskişehir for the purpose of meeting the power requirements of the head office building and high street stores whose electricity meters are owned by the company, from sustainable sources.

Summary Financial Tables

06



6 - Summary Financial Tables (Inc. IFRS 16)

› Summary Balance Sheet

TRYm	31 January 2023	30 April 2023	Change (%)
Assets			
Current Assets			
Cash and Cash Equivalents	3,245	3,329	3%
Financial Investments	58	39	(32%)
Trade Receivables	871	1,294	49%
Inventories	2,308	2,487	8%
Other Current Assets	304	351	16%
Total Current Assets	6,785	7,501	11%
Property and Equipment	395	425	8%
Right of Use Assets	576	617	7%
Intangible Assets	663	685	3%
Other Non-Current Assets	224	234	5%
Total Non-Current Assets	1,858	1,961	6%
Total Assets	8,643	9,462	9%
Short-Term Financial Liabilities	1,541	1,466	(5%)
Short-Term Contractual Lease Liabilities	350	399	14%
Trade Payables	2,961	3,030	2%
Other Current Liabilities	592	1,245	110%
Total Current Liabilities	5,444	6,140	13%
Long-Term Financial Liabilities	-	6	n.m.
Long-Term Contractual Lease Liabilities	290	291	0%
Other Non-Current Liabilities	177	132	(25%)
Total Non-Current Liabilities	467	429	(8%)
Total Liabilities	5,911	6,569	11%
Total Equity	2,732	2,893	6%
Total Equity & Liabilities	8,643	9,462	9%

› Summary P&L

TRYm	Q1 2022	Q1 2023	Change (%)
Revenue	1,887	3,947	109%
Cost of Sales	(821)	(1,985)	142%
Gross Profit	1,066	1,962	84%
Gross Margin	56.5%	49.7%	
Administrative Expenses	(106)	(220)	108%
Selling and Marketing Expenses	(498)	(974)	95%
R&D Expenses	(15)	(33)	123%
Other Income / (Expenses), net	15	(4)	(130%)
Operating Profit	462	730	58%
Profit/(Loss) from Investment Activities	(1)	1	n.m.
Operating Profit before Financial Income	461	731	59%
Operating Margin	24.4%	18.5%	
Financial Expenses, Net	(67)	(108)	60%
Profit Before Tax	394	623	58%
Income Tax Expense	(92)	(108)	18%
Profit	302	515	71%
Profit Margin	16.0%	13.1%	
EBITDA	556	911	64%
EBITDA Margin	29.5%	23.1%	
EBITDA ex IFRS 16	465	773	66%
Profit ex IFRS 16	300	525	75%

› Summary Cash Flow Statement

TRYm	Q1 2022	Q1 2023
Profit ¹	302	515
Adjustments	317	466
Cash Flow from Operating Activities	619	981
Δ in Net Working Capital ²	(397)	(538)
Income Tax Paid	(53)	1
Net Cash from Operating Activities	169	444
Capex	(61)	(86)
Other Investing Cash Flow ³	40	140
Net Cash Flow Used in Investing Activities	(21)	54
Debt Issued / (Repaid)	41	(80)
Payment of Contractual Lease Liabilities	(92)	(142)
Other Financial Payments ⁴	(46)	(122)
Interest Paid	(19)	(74)
Net Cash Flows Used in Financing Activities	(117)	(418)
Net Cash Flow	32	80
Cash and Cash Equivalents at the Beginning of the Period ⁵	1,506	3,223
Cash and Cash Equivalents at the End of the Period ⁵	1,537	3,303

¹Pre non-controlling interest. ²Working Capital includes main working capital items and employee benefits paid as well as deferred revenues. ³Other Investing Cash Flow includes proceeds from sale of tangible assets and interest received. ⁴Other Financial Payments include proceeds from derivatives, imputed interest and financial commissions. ⁵Cash and Cash Equivalents in the Balance Sheet includes interest income accruals as cash. Excluding interest income accruals net cash at the end of the period is equal to Cash and Cash Equivalents on the Balance Sheet for the same fiscal year..

Disclaimer on Market Data and Forward Looking Statements

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