

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

Condensed Consolidated Interim Financial Statements
As At and For The Three Months Period Ended
30 April 2019

30 May 2019

This report contains 39 pages of financial statement explanatory notes.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

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Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position
As at 30 April 2019

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

		Unaudited	Audited
	<i>Notes</i>	30 April 2019	31 January 2019
ASSETS			
Current assets			
Cash and cash equivalents	5	349,587	266,571
Trade receivables		227,114	168,593
- <i>Due from third parties</i>	8	227,114	168,593
Other receivables		11,932	17,059
- <i>Due from third parties</i>		11,932	17,059
Derivatives	22	13,189	--
Inventories		507,983	457,229
Prepayments		48,215	37,985
Current tax asset		11,048	15,805
Other current assets		27,817	22,070
Total current assets		1,196,885	985,312
Non-current assets			
Other receivables		2,853	2,411
- <i>Due from third parties</i>		2,853	2,411
Property and equipment		161,851	159,739
Right of use assets	11	453,118	--
Intangible assets		218,046	194,454
- <i>Other intangible assets</i>		64,994	57,576
- <i>Goodwill</i>	10	153,052	136,878
Prepayments		198	114
Deferred tax assets		2,734	1,880
Total non-current assets		838,800	358,598
TOTAL ASSETS		2,035,685	1,343,910

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position
As at 30 April 2019

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

		Unaudited	Audited
	<i>Notes</i>	30 April 2019	31 January 2019
LIABILITIES			
Current liabilities			
Short term borrowings	6	144,558	79,742
Short term contractual lease liabilities		202,066	--
- Due to related parties		1,435	--
- Due to third parties		200,631	--
Short portion of long term borrowings	6	207,066	204,317
Trade payables		599,312	510,284
- Due to related parties	7	184,933	155,105
- Due to third parties	8	414,379	355,179
Payables to employees		16,549	32,512
Other payables		16,980	16,534
- Due to related parties	7	11,592	10,330
- Due to third parties		5,388	6,204
Deferred revenue		17,558	17,086
Provisions		15,672	13,034
- Provisions for employee benefits	12	4,320	2,679
- Other provisions	12	11,352	10,355
Derivatives	22	--	9,577
Current tax liabilities		6,232	2,732
Other current liabilities		3,844	11,116
Total current liabilities		1,229,837	896,934
Non-current liabilities			
Loans and borrowings	6	147,775	91,985
Long term contractual lease liabilities		256,212	--
- Due to related parties		3,898	--
- Due to third parties		252,314	--
Deferred revenue		125	119
Provisions		5,645	5,018
- Provisions for employee benefits	12	5,645	5,018
Deferred tax liabilities		13,553	12,686
Total non-current liabilities		423,310	109,808
TOTAL LIABILITIES		1,653,147	1,006,742

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position
As at 30 April 2019

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

	<i>Notes</i>	Unaudited 30 April 2019	Audited 31 January 2019
EQUITY			
Equity attributable to owners of the Company			
Paid in share capital	<i>14</i>	49,657	49,657
Purchase of share of entities under common control		(35,757)	(35,757)
Other comprehensive income/expense not to be reclassified to profit or loss		(4,543)	(4,460)
<i>Remeasurement of defined benefit liability</i>		(4,543)	(4,460)
Other comprehensive income/expense to be reclassified to profit or loss		91,212	56,477
<i>Foreign currency translation reserve</i>		80,924	63,935
<i>Hedging reserve</i>		10,288	(7,458)
Legal reserves		19,771	19,771
Retained earnings		248,086	156,569
Net income		6,742	91,517
Non-controlling interests		7,370	3,394
Total equity		382,538	337,168
TOTAL EQUITY AND LIABILITIES		2,035,685	1,343,910

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Profit or Loss
For the three months period ended 30 April 2019

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

		Unaudited	Unaudited
	<i>Notes</i>	1 February – 30 April 2019	1 February – 30 April 2018
Revenue		648,353	535,838
Cost of sales		(341,388)	(268,508)
Gross profit		306,965	267,330
Administrative expenses		(36,707)	(29,844)
Selling, marketing and distribution expenses	15	(197,841)	(174,826)
Research and development expenses		(5,163)	(6,568)
Other operating income	16	5,910	270
Other operating expenses	16	(1,391)	(4,722)
Operating profit		71,773	51,640
Losses from investment activities	17	(204)	(33)
Operating profit before financial income		71,569	51,607
Finance income	18	1,427	671
Finance costs	19	(60,805)	(19,643)
Net finance costs		(59,378)	(18,972)
Profit before tax		12,191	32,635
Income tax expense		(2,109)	(7,575)
- Tax expense		(8,582)	(13,154)
- Deferred tax income		6,473	5,579
Net Income		10,082	25,060
Non-controlling interests		3,340	1,732
Owners of the Company		6,742	23,328
Earnings per share			
Basic earnings per share (full TL)	21	0.1358	0.4698
Diluted earnings per share (full TL)	21	0.1358	0.4698
Earnings before interest, tax, depreciation and amortization (EBITDA)	25	132,576	72,343

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 Other Comprehensive Income
For the three months period ended 30 April 2019

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

	Unaudited	Unaudited
<i>Notes</i>	1 February – 30 April 2019	1 February – 30 April 2018
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit liability	(106)	19
- Related tax	23	(4)
Items that are or may be reclassified to profit or loss		
Foreign operations - foreign currency translation differences	17,625	7,779
Cash flow hedging reserves	22,751	953
- Related tax	(5,005)	(210)
Other comprehensive income net of tax	35,288	8,537
Total comprehensive income	45,370	33,597
Total comprehensive income attributable to:		
Non-controlling interests	3,976	1,851
Owners of the Company	41,394	31,746

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Condensed Consolidated Interim Statement of Changes In Equity

As at and for the three months period ended 30 April 2019

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

	Share capital	Legal reserves	Purchase of share of entities under common control	Other comprehensive income/expense not to be reclassified to profit or loss	Other comprehensive income/expense to be reclassified to profit or loss		Retained earnings		Attributable to owners of the Company	Attributable to non-controlling interest	Total equity
				Remeasurement of defined benefit liability	Foreign currency translation reserve	Hedging reserve	Retained earnings	Net profit			
Balance as at 1 February 2018	49,657	17,427	(35,757)	(5,145)	25,310	656	111,717	85,871	249,736	(2,555)	247,181
Transfers	--	--	--	--	--	--	85,871	(85,871)	--	--	--
Total comprehensive income	--	--	--	15	7,660	743	--	23,328	31,746	1,851	33,597
Total balance as at 30 April 2018	49,657	17,427	(35,757)	(5,130)	32,970	1,399	197,588	23,328	281,482	(704)	280,778
Balance as at 1 February 2019	49,657	19,771	(35,757)	(4,460)	63,935	(7,458)	156,569	91,517	333,774	3,394	337,168
Transfers	--	--	--	--	--	--	91,517	(91,517)	--	--	--
Total comprehensive income	--	--	--	(83)	16,989	17,746	--	6,742	41,394	3,976	45,370
Total balance as at 30 April 2019	49,657	19,771	(35,757)	(4,543)	80,924	10,288	248,086	6,742	375,168	7,370	382,538

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 three months period ended 30 April 2019
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

		Unaudited	Unaudited
		1 February –	1 February –
		30 April 2019	30 April 2018
Cash flow from operating activities	<i>Notes</i>		
Net profit for the period		10,082	25,060
Depreciation and amortization expense	9,11	65,175	16,127
Finance income	18	(864)	(45)
Finance cost		60,259	18,377
Provision for unused vacation	12	1,628	1,132
Provision for employee severance indemnity		1,674	1,132
Fair value change of derivatives	18,19	361	(458)
Impairment loss on receivables		56	230
Expected credit losses corrections	16	90	--
Inventory obsolescence, reversals		8,174	3,794
Loss on disposal of property and equipment, net		204	33
Tax expense		2,109	7,575
Unrealized currency translation difference		1,185	(1,629)
		150,133	71,328
Changes in:			
Change in trade receivables		(60,129)	(80,368)
Change in inventory		(59,555)	(22,157)
Change in prepaid expenses		(12,093)	(3,079)
Change in other receivables		4,758	3,184
Change in other current and non-current assets		(5,747)	(1,719)
Change in employee benefits liabilities		(15,962)	124
Change in trade payables		59,200	79,976
Change in payables to related parties		29,828	(5,331)
Change in deferred revenue		478	1,196
Change in other payables		(816)	(1,606)
Change in short term and long term provisions		997	(576)
Change in other liabilities		(7,273)	(1,514)
Cash flows used in operating activities		83,819	39,458
Employee benefits paid		(1,432)	(1,262)
Income tax paid		(404)	(1,846)
Net cash from operating activities		81,983	36,350
Cash flows from investing activities			
Acquisition of tangible assets	9	(18,440)	(16,416)
Proceeds from sale of tangible assets	9,17	35	16
Acquisition of intangible assets	9	(1,735)	(371)
Interest received		790	45
Net cash flow used in investing activities		(19,350)	(16,726)
Proceeds from loans and borrowings		268,636	82,490
Repayment of loans and borrowings		(146,595)	(149,339)
Payments of contractual lease liabilities		(58,560)	--
Proceeds of settlement of derivatives		(376)	(75)
Other financial payments		(21,132)	(11,159)
Interest paid		(22,094)	(7,400)
Net cash flow used in financing activities		19,879	(85,483)
Net change in cash and cash equivalent		82,512	(65,859)
Cash and cash equivalents at the beginning of the year	5	262,023	262,474
Cash and cash equivalents at the end of the period	5	344,535	196,615

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the three months period ended 30 April 2019
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

Notes to the condensed consolidated interim financial statements

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Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the three months period ended 30 April 2019

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

1 Reporting entity

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

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

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

Shares of the Company has been traded at Borsa Istanbul (“BIST”) since 15 June 2017. As of 30 April 2019, the Company's main shareholders are Blue International Holding B.V., which owns 0.22% of the Company's share capital, and Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar, each of whom own 9.062% of the Company's share capital (31 January 2019: Blue International Holding B.V., which owns 0.22% of the Company's share capital, and Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar, each of whom own 9.062% of the Company's share capital). Blue International Holding B.V. is controlled by Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar.

The consolidated financial statements as at 30 April 2019 include financial position and the results of Mavi Giyim, Mavi Europe AG (“Mavi Europe”), Mavi Nederland BV (“Mavi Nederland”) and Mavi LLC (“Mavi Russia”), Eflatun Giyim Yatırım Ticaret Anonim Şirketi (“Eflatun Giyim”), Mavi Jeans Incorporated (“Mavi Canada”), Mavi Jeans Incorporated (“Mavi United States of America (“USA”), Mavi Kazakhstan LLP and its subsidiaries are referred here as the “Group” and individually “the Group entity” in this report.

The ownership interest of and voting power held by the Company as at and for the periods ended 30 April 2019 and 31 January 2019 are as follows:

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

⁽¹⁾ Mavi Kazakhstan is in the liquidation process and does no longer proceed any operations as of 31 October 2015. Mavi Kazakhstan financials have not been consolidated since its operations insignificant in terms of consolidated financial statements, as of 30 April 2019.

As of 30 April 2019, Group’s total number of employees is 3,867 (31 January 2019: 3,911).

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Notes to the Condensed Consolidated Interim Financial Statements
As at and for the three months period ended 30 April 2019
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2 Basis of presentation of financial statements

2.1 Basis of accounting

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 January 2019 (‘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 30 May 2019. General Assembly has the authority to modify the condensed consolidated interim financial statements.

(b) Basis of measurement

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The condensed consolidated interim financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in Note 2.1 (e).

(c) Functional and presentation currency

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

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

The table below summarizes functional currencies of the Group entities.

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

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2 Basis of presentation of financial statements (continued)

2.1 Basis of accounting (continued)

(d) Use of judgements and estimates

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

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

The significant judgements made by the management in applying the Groups accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 January 2019.

(e) Measurement of fair values

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

(i) Trade and other receivables

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

(ii) Derivative financial liabilities

Forward exchange contracts

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

(iii) Other non-derivative financial liabilities

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

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2 Basis of presentation of financial statements (continued)

2.1 Basis of accounting (continued)

(e) Measurement of fair values (continued)

(iv) Property, plant and equipment

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

(v) Intangible assets

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

2.2 Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted however the Group has not early adopted are as follows.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

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2 Basis of presentation of financial statements (continued)

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

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

2.3 Significant accounting policies

Except as described below (IFRS 9 and IFRS 15), the accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 January 2019.

The financial statements in the condensed consolidated financial statements for the three-months period ended on 30 April 2019 must be evaluated together with the financial statements in the consolidated financial statements for the year ended 31 January 2019.

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.

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

	30 April 2019	IFRS 16 Effect	After IFRS 16 Effect
Current Assets	1,198,661	(1,776)	1,196,885
Non Current Assets	384,159	454,641	838,800
Current Liabilities	1,027,771	202,066	1,229,837
Non Current Liabilities	167,099	256,211	423,310
Equity	387,950	(5,412)	382,538

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2 Basis of presentation of financial statements (continued)

2.3 Significant accounting policies(continued)

IFRS 16 Leases (continued)

	1 February – 30 April 2019	IFRS 16 Effect	After IFRS 16 Effect
Operating profit	60,550	11,223	71,773
Operating profit before financial income	60,346	11,223	71,569
Financial expense	(41,250)	(18,128)	(59,378)
Profit before tax	19,096	(6,905)	12,191
Net income	15,464	(5,382)	10,082

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

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

Practical expedient

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

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.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

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

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 three months operating results for the period ended 30 April 2019 are not indicative of the results for the financial year.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Condensed Consolidated Interim Statement of Cash Flows

As at and for the three months period ended 30 April 2019

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

4 Operating segments

	1 February 2019- 30 April 2019			1 February 2018- 30 April 2018		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Segment revenue ⁽¹⁾	523,733	124,620	648,353	441,393	94,445	535,838
-Retail	365,492	13,457	378,949	305,535	13,061	318,596
-Wholesale	143,729	98,180	241,909	128,597	75,785	204,382
-E-commerce	14,512	12,983	27,495	7,261	5,599	12,860
Segment profit before tax	9,971	2,220	12,191	29,095	3,540	32,635
	30 April 2019			31 January 2019		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Total segment assets	1,682,935	352,750	2,035,685	1,100,349	243,561	1,343,910
Total segment liabilities	1,382,869	270,278	1,653,147	821,701	185,041	1,006,742

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

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the three months period ended 30 April 2019

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

5 Cash and cash equivalents

As at 30 April 2019 and 31 January 2019, cash and cash equivalents comprises the following:

	30 April 2019	31 January 2019
Cash on hand	2,799	1,885
Cash at banks	183,870	129,636
<i>Demand deposits</i>	38,520	21,831
<i>Time deposits</i>	145,350	107,805
Other cash and cash equivalents	162,918	135,050
Cash and cash equivalents in the statement of consolidated financial statement	349,587	266,571
Bank overdrafts	(5,052)	(4,548)
Cash and cash equivalents in the statement of consolidated cash flows	344,535	262,023

As at 30 April 2019 and 31 January 2019, other cash and cash equivalents consist of credit card receivables with maturities less than 3 months.

As at 30 April 2019 and 31 January 2019, the details of time deposits based on maturity dates and interest rates of the Group are as below:

	Maturity	Interest rate	30 April 2019
TL	2 May 2019	23.15%	126,865
USD	2 May 2019	2.30%	18,022
EUR	2 May 2019	0.10%	463
			145,350

	Maturity	Interest rate	31 January 2019
USD	1 February 2019	3.35%	70,938
EUR	1 February 2019	0.75%	36,867
			107,805

As at 30 April 2019 and 31 January 2019, there is no restriction or blockage on cash and cash equivalents. The Group’s exposure to foreign currency risk and sensitivity analyses are disclosed in Note 23.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the three months period ended 30 April 2019

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

6 Loans and borrowings

As at 30 April 2019 and 31 January 2019, financial borrowings comprise the following:

	<u>30 April 2019</u>	<u>31 January 2019</u>
Current liabilities		
Unsecured bank loans	139,506	75,194
Current portion of unsecured bank loans	207,066	204,317
Bank overdraft (Note 5)	5,052	4,548
	351,624	284,059
Non-current liabilities		
Unsecured bank loans	147,775	91,985
	147,775	91,985

As at 30 April 2019 and 31 January 2019, loan and borrowings comprised the following:

	<u>30 April 2019</u>	<u>31 January 2019</u>
Bank loans	499,399	376,044
	499,399	376,044

As at 30 April 2019 and 31 January 2019, the repayments of loan agreements according to the original maturities comprised the following:

	<u>30 April 2019</u>	<u>31 January 2019</u>
Less than one year	351,624	284,059
One to two years	106,268	79,869
Two to three years	41,507	11,877
Three to four years	--	239
	499,399	376,044

As at 30 April 2019 and 31 January 2019, maturities and conditions of outstanding loans comprised the following:

30 April 2019					
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0.00%-4.10%	2019	60,759	61,212
Unsecured bank loans	TL	0.00%-28.19%	2019-2022	351,504	357,076
Unsecured bank loans	USD	4.05%-5.74%	2019-2022	30,624	30,825
Unsecured bank loans	RUB	12.95%	2020	38,287	38,797
Unsecured bank loans	CAD	3.95%	2019	11,489	11,489
				492,663	499,399
31 January 2019					
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0.00%-3.50%	2019	46,995	47,321
Unsecured bank loans	TL	0.00%-37.75%	2019-2022	253,085	259,939
Unsecured bank loans	USD	4.05%-6.80%	2019-2022	30,950	31,235
Unsecured bank loans	RUB	12.95%	2020	29,411	29,777
Unsecured bank loans	CAD	3.70%	2019	7,772	7,772
				368,213	376,044

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
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7 Related party

Related parties in consolidated financial statements are determined as key management personnel, board of directors, family members, subsidiaries controlled by the Company. Several related party transactions are carried out during ordinary course of the business.

As of 30 April 2019, the members of the Akarlılar Family (Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar) are the controlling shareholders of the Group with a total ownership interest of 27.41% where 27.19% is the direct ownership interest and 0.22% is the indirect ownership interest through Blue International Holding B.V.

(a) Related party balances

As at 30 April 2019 and 31 January 2019, short term prepayments give to related parties comprised the following:

Prepayments given to related parties	30 April 2019	31 January 2019
Erak Giyim Sanayi Tic. A.Ş. (“Erak”) ⁽¹⁾	17,463	20,949
	17,463	20,949

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

Due to related parties	30 April 2019	31 January 2019
Erak ⁽¹⁾	178,852	149,035
Akay Lelmalabis Elgazhizah LLC (“Akay”) ⁽²⁾	6,081	6,070
	184,933	155,105

(1) Amounts due to Erak, a company controlled by immediate family members of the shareholder of the parent company, are for purchases of inventory. Amounts are non-interest bearing and have 90 days repayment date.

(2) Amount comprise of inventory purchases to subsidiary Akay situated in Egypt. Amounts are non-interest bearing and have 90 days repayment date.

Other payables to related parties	30 April 2019	31 January 2019
Eflatun Giyim shareholders ⁽¹⁾	11,592	10,330
Short term other payables to related parties	11,592	10,330

(1) Payables to Eflatun Giyim shareholders mainly comprised of USD 1,942 thousand payables due to the acquisition of Eflatun Giyim.

Due to short term contractual lease liabilities	30 April 2019	31 January 2019
Sylvia House Inc.	551	--
Mavi Jeans Holding Inc.	884	--
	1,435	--

Due to long term contractual lease liabilities	30 April 2019	31 January 2019
Sylvia House Inc.	1,572	--
Mavi Jeans Holding Inc.	2,326	--
	3,898	--

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7 Related party (continued)

(b) Related party transactions

For the three months period ended 30 April 2019 and 2018, purchases from related parties of the Group comprised the following:

	<u>1 February 2019 – 30 April 2019</u>	<u>1 February 2018 – 30 April 2018</u>
Purchase from related parties		
Erak	125,770	99,252
Akay	20,264	17,588
	146,034	116,840

For the three months period ended 30 April 2019 and 2018, the services from related parties of the Group comprised the following:

	<u>1 February 2019 – 30 April 2019</u>	<u>1 February 2018 – 30 April 2018</u>
Services from related parties		
Erak ⁽¹⁾	184	253
Sylvia House Inc. ⁽²⁾	162	140
Mavi Jeans Holding Inc. ⁽³⁾	221	152
	567	545

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

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

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

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

For the three months period ended 30 April, short term benefits provided to senior management and board of directors amounted to TL 12,732 (30 April 2018: TL 9,833).

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

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8 Trade receivables and payables

Short term trade receivables

As at 30 April 2019 and 31 January 2019, short term trade receivables are as follows:

	<u>30 April 2019</u>	<u>31 January 2019</u>
Trade receivables from third parties	227,114	168,593
	227,114	168,593

As at 30 April 2019 and 31 January 2019, short term trade receivables from others are as follows:

	<u>30 April 2019</u>	<u>31 January 2019</u>
Trade receivables	204,313	137,955
Post-dated cheques	7,771	10,736
Endorsed cheques	2,535	3,082
Notes receivables	13,867	18,007
Expected credit losses (-)	(1,372)	(1,187)
Doubtful receivables	18,039	16,578
Allowance for doubtful receivables (-)	(18,039)	(16,578)
	227,114	168,593

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

Short term trade payables

As at 30 April 2019 and 31 January 2019, short term trade payables of the Group are as follows:

	<u>30 April 2019</u>	<u>31 January 2019</u>
Trade payables to third parties	414,379	355,179
Trade payables to related parties	184,933	155,105
	599,312	510,284

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

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

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8 Trade receivables and payables (continued)

Short term trade payables (continued)

As at 30 April 2019 and 31 January 2019, short term trade payables due to others are as follows:

	<u>30 April 2019</u>	<u>31 January 2019</u>
Trade payables to third parties ⁽¹⁾	410,578	346,196
Expense accruals	3,801	8,983
	<u>414,379</u>	<u>355,179</u>

(1) Trade payables to third parties comprise factoring payables amounting TL 4,299 (31 January 2019: TL 51,239). The Company performs import factoring for the purchases of good from abroad. Within the scope of import factoring, foreign suppliers transfer their receivables from the Company to the financial institutions where the Company works with confirmation of assignment

9 Property and equipment and intangible assets

The amount of tangible and intangible assets purchased during the three months period ended 30 April 2019 is TL 20,175 (30 April 2018: TL 16,787).

Net book value of tangible and intangible assets sold during the three months period ended 30 April 2019 amounted to TL 239 (30 April 2018: TL 49).

The depreciation charge for the three months period ended 30 April 2019 is TL 17,946 (30 April 2018: TL 16,127). The depreciation charge of TL 108 for the three months period ended 30 April 2019 is capitalized in accordance with incentive program. (30 April 2018: none).

10 Goodwill

As at 30 April 2019, and 31 January 2019, the carrying amount of goodwill allocated to each cash generating unit is as follows;

	<u>30 April 2019</u>	<u>31 January 2019</u>
Mavi USA	136,087	121,163
Mavi Canada	13,232	11,982
Other	3,733	3,733
	<u>153,052</u>	<u>136,878</u>

As of 30 April 2019, the increase in goodwill is related to foreign currency translation differences on goodwill recognized at foreign subsidiaries.

11 Right of use assets

Cost	Buildings	Store	Vehicles	Warehouse	Total
Additions	43,614	439,999	6,256	3,554	493,423
Effect of movements in exchange rates	2,178	4,983	278	26	7,465
Closing balance as of 30 April 2019	45,792	444,982	6,534	3,580	500,888
Accumulated depreciation	Buildings	Store	Vehicles	Warehouse	Total
Charge for the year	2,021	43,786	1,074	456	47,337
Effect of movements in exchange rates	97	310	23	3	433
Closing balance as of 30 April 2019	2,118	44,096	1,097	459	47,770
Carrying value as of 30 April 2019	<u>43,674</u>	<u>400,886</u>	<u>5,437</u>	<u>3,121</u>	<u>453,118</u>

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As at and for the three months period ended 30 April 2019

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12 Provisions, contingent assets and liabilities

Short term provisions

As at 30 April 2019 and 31 January 2019, short term provisions are as follows:

	30 April 2019	31 January 2019
Provision for employee benefits	4,320	2,679
Other short term provisions	11,352	10,355
	15,672	13,034

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

	2019	2018
1 February balance	2,679	2,359
Effect of movements in exchange rates	173	(5)
Payments	(160)	(405)
Current period provision	1,628	1,132
30 April balance	4,320	3,081

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

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.

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

As at 30 April 2019 and 31 January 2019, details of other short term provisions are as follows:

	30 April 2019	31 January 2019
Return provision	5,510	5,014
Legal provision ⁽¹⁾	2,156	1,863
Other provisions	3,686	3,478
	11,352	10,355

⁽¹⁾ Legal provision mainly comprised of labour lawsuits.

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12 Provisions, contingent assets and liabilities (continued)

Short term provisions (continued)

For the 3 months ended 30 April 2019 and 2018, the movement of short term provision is as follows:

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

	Legal provision	Return provisions	Other provisions	Total
1 February 2018 balance	1,585	4,728	1,095	7,408
Current year provision	74	799	--	873
Effect of movements in exchange rates	--	137	36	173
Provisions used during year	--	(117)	(383)	(500)
Provisions cancelled during year	--	(459)	(663)	(1,122)
30 April 2018 balance	1,659	5,088	85	6,832

Long term provisions

As at 30 April 2019, long term provisions consist of severance pay liabilities in amount of TL 5,645

(31 January 2019: TL 5,018).

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Notes to the Condensed Consolidated Interim Financial Statements

As at and for the three months period ended 30 April 2019

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13 Commitments

(a) Warranties, pledges and mortgages

As of 30 April 2019 and 31 January 2019, the Group's guarantee / pledge / mortgage ("GPM") position statement is as follows:

	30 April 2019				
	TL Equivalent	TL	EUR	RUB	USD
A. On behalf of its own legal personality of the total amount of GPMs	97,990	23,867	8,776	--	2,711
Guarantee	97,990	23,867	8,776	--	2,711
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	3,230	--	246	17,578	--
Guarantee	3,230	--	246	17,578	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
D. Total amount of other GPM	--	--	--	--	--
i. Total amount of GPM given on behalf of the main partners	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
Total GPM	101,220	23,867	9,022	17,578	2,711

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Notes to the Condensed Consolidated Interim Financial Statements

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13 Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

	31 January 2019				
	TL Equivalent	TL	EUR	RUB	USD
A. On behalf of its own legal personality of the total amount of GPMs	76,726	17,670	6,916	--	3,282
Guarantee	76,726	17,670	6,916	--	3,282
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	2,974	--	261	17,578	--
Guarantee	2,974	--	261	17,578	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
D. Total amount of other GPM	--	--	--	--	--
i. Total amount of GPM given on behalf of the main partners	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
Total GPM	79,700	17,670	7,177	17,578	3,282

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13 Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

As of 30 April 2019, ratio of other GPM given by the Group to equity was 0% (31 January 2019: 0%).

As of 30 April 2019, letter of guarantees given to third parties for an amount of TL 30,732 are representing guarantees given to Eximbank for the purpose of importing goods (31 January 2019: TL 15,343).

The Group has purchase commitments related to inventory amounting to TL 582,995 as of 30 April 2019 (31 January 2019: TL 576,921).

(b) Guarantees received

As of 30 April 2019, Group has received letter of guarantees for the amount of TL 8,570 as in the form of security (31 January 2019: TL 7,502).

14 Capital, reserves and other capital reserves

Paid-in capital

As of 30 April 2019 and 31 January 2019, paid capital is as follows:

	%	30 April 2019	%	31 January 2019
Akarlılar Ailesi	27.19	13,500	27.19	13,500
Blue International	0.22	108	0.22	108
Publicly held	72.60	36,049	72.60	36,049
	100.00	49,657	100.00	49,657

As of 30 April 2019 paid-in capital of the Company comprises 49,657,000 shares issued of TL 1 each (31 January 2019: 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 30 April 2019, the Company’s legal reserves are amounting to TL 19,771 (31 January 2019: TL 19,771).

Hedging reserve

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

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15 Selling, marketing and distribution expenses

For the three months periods ended 30 April 2019 and 2018, selling, marketing and distribution expenses comprised the following:

	1 February – 30 April 2019	1 February – 30 April 2018
Rent expenses	19,402	65,589
Personnel expenses	63,746	56,568
Depreciation and amortization expenses	59,141	12,551
Other	55,552	40,118
	197,841	174,826

16 Other operating income and expense

For the three months periods ended 30 April 2019 and 2018, other operating income comprised the following:

	1 February – 30 April 2019	1 February – 30 April 2018
Foreign exchange gain, net	3,353	32
Trade receivables and payables, interest income net	1,968	--
Salary protocol income	222	133
Gain on amendments to IFRS 9	122	--
Damage compensation income ⁽¹⁾	70	88
Other	175	17
	5,910	270

⁽¹⁾ Income from insurance claims.

For the three months periods ended 30 April 2019 and 2018, other expenses comprised the following:

	1 February – 30 April 2019	1 February – 30 April 2018
Foreign exchange loss, net	1,153	3,590
Loss on amendments to IFRS 9	212	--
Trade receivables and payables, interest income net	--	1,051
Other	26	81
	1,391	4,722

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17 Gains and losses from investment activities

For the three months periods ended 30 April 2019 and 2018, losses from investment activities comprised the following:

	<u>1 February – 30 April 2019</u>	<u>1 February – 30 April 2018</u>
Losses on sale of fixed assets	204	33
	204	33

18 Finance income

For the three months periods ended 30 April 2019 and 2018, finance income comprised the following:

	<u>1 February – 30 April 2019</u>	<u>1 February – 30 April 2018</u>
Interest income on:		
Time deposits	864	45
	864	45
Change in fair value of forward contracts	--	458
Foreign exchange gain	562	168
Other	1	--
	1,427	671

19 Finance costs

For the three months periods ended 30 April 2019 and 2018, finance costs comprised the following:

	<u>1 February – 30 April 2019</u>	<u>1 February – 30 April 2018</u>
Interest expense on:		
Interest expenses on purchases	17,387	8,097
Financial liabilities measured at amortised cost	20,999	7,218
Interest expenses on contractual lease liabilities	18,311	--
	56,697	15,315
Credit card commission expenses	1,787	1,404
Import financing expenses	1,537	1,349
Foreign exchange loss	1	1,266
Change in fair value of forward contracts	361	--
Other	422	309
	60,805	19,643

20 Income taxes

Corporate tax rate of Turkey is 22% (30 April 2018 :22%). For the three months period ended 30 April 2019, Group's effective tax rate is 17% (30 April 2018 :23%).

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21 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 30 April 2019 and 2018 is as follows:

	30 April 2019	30 April 2018
Net profit for the year attributable to owners of the Company	6,742	23,328
Weighted average number of ordinary shares (basic)	49,657,000	49,657,000
Earnings per ordinary/ diluted share (full TL)	0.1358	0.4698

22 Derivatives

As at 30 April 2019 and 31 January 2019, short term derivative assets are as follows:

	30 April 2019	31 January 2019
Liabilities from the forward exchange contracts	--	(9,562)
Forward exchange contracts used for hedge accounting	13,189	--
Other forward exchange contracts	--	(15)
	13,189	(9,577)

As of 30 April 2019, the Group has open forward exchange contracts to hedge the foreign currency risk on inventory purchases in amount of USD 25,134 thousand in equivalent of TL 149,002. By applying hedge accounting, the fair value difference of TL 13,189, resulting from such forward transactions, is recognized in other comprehensive income.

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23 Nature and level of risks related to financial instruments

Market risk

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

Currency risk

The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The functional currencies of Group entities are CAD, USD, EUR, RUB and KZT.

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

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

Interest rate risk

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

Capital Management

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

Currency Risk

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

	<u>30 April</u> <u>2019</u>	<u>31 January</u> <u>2019</u>
TL / EUR	6.6151	6.0339
TL / USD	5.9282	5.2781
TL / RUB	0.0912	0.0795
TL / KZT	0.0156	0.0137
TL / CAD	4.3958	3.9804

The foreign currency average exchange rates for the three months period ended 30 April 2019 and 2018 are as follows:

	<u>1 February –</u> <u>30 April 2019</u>	<u>1 February –</u> <u>30 April 2018</u>
EUR / TL	6.2050	4.8265
USD / TL	5.4925	3.9180
RUB / TL	0.0838	0.0668
CAD / TL	4.1183	3.0674

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

Market risk

Currency risk

As of 30 April 2019, 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	9,102	1,089	--	2,646
2a. Monetary financial assets (including cash banks)	20,758	3,268	179	200
2b. Non-monetary financial assets	--	--	--	--
3. Other	2,577	328	95	--
4. Current assets (1+2+3)	32,437	4,685	274	2,846
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	--	--	--	--
9. Total assets (4+8)	32,437	4,685	274	2,846
10. Trade payables	(2,466)	(360)	(43)	(48)
11. Financial liabilities	(23,290)	(486)	(3,085)	--
12a. Monetary other liabilities	(11,512)	(1,941)	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	(37,268)	(2,787)	(3,128)	(48)
14. Trade payables	--	--	--	--
15. Financial liabilities	(9,255)	(714)	(759)	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	(9,255)	(714)	(759)	--
18. Total liabilities (13+17)	(46,523)	(3,501)	(3,887)	(48)
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	149,002	25,134	--	--
19a. Hedged total asset	--	--	--	--
19b. Hedged total liabilities	(149,002)	(25,134)	--	--
20. Position of net foreign currency assets/liabilities (9-18+19)	134,916	26,318	(3,613)	2,798
21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)	(16,663)	856	(3,708)	2,798

As at 30 April 2019, Mavi Turkey has trade receivables amounting to TRY 36,386 from consolidated subsidiaries which comprise; EUR 3,104 thousand, USD 27 thousand, CAD 152 thousand and RUB 164,850 thousand. These amounts have been eliminated in consolidation. Considering these receivables, the Group's net foreign currency assets position amounts to TL 171,302.

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

Market risk (continued)

Currency risk (continued)

As of 31 January 2019 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	4,607	775	--	517
2a. Monetary financial assets (including cash, banks)	109,727	13,618	6,235	227
2b. Non-monetary financial assets	--	--	--	--
3. Other	1,889	349	8	--
4. Current assets (1+2+3)	116,223	14,742	6,243	744
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	--	--	--	--
9. Total assets (4+8)	116,223	14,742	6,243	744
10. Trade payables	(54,532)	(10,096)	(179)	(165)
11. Financial liabilities	(23,702)	(125)	(3,819)	--
12a. Monetary other liabilities	(10,250)	(1,942)	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	(88,484)	(12,163)	(3,998)	(165)
14. Trade payables	--	--	--	--
15. Financial liabilities	(2,365)	(448)	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	(2,365)	(448)	--	--
18. Total liabilities (13+17)	(90,849)	(12,611)	(3,998)	(165)
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	120,751	22,758	105	--
19a. Hedged total asset	--	--	--	--
19b. Hedged total liabilities	(120,751)	(22,758)	(105)	--
20. Position of net foreign currency assets/liabilities (9-18+19)	146,125	24,889	2,350	579
21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)	23,485	1,782	2,237	579

As at 31 January 2019, Mavi Turkey has trade receivables amounting to TRY 20,426 from consolidated subsidiaries which comprise; EUR 1,945 thousand, USD 128 thousand, CAD 122 thousand and RUB 94,728 thousand. These amounts have been eliminated in consolidation. Considering these receivables, the Group's net foreign currency assets position amounts to TL 166,551.

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

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The Group's foreign exchange risk consists of movements of TL against Euro, US Dollar and Rouble and Australia Dollar.

The basis for performing sensitivity analysis to measure foreign exchange risk is to disclose total currency position of the Company. Total foreign currency position consists of all purchase/sales agreements in foreign currency and all assets and liabilities. Analysis does not include net foreign currency investments.

The Group's short term and long term borrowings are carried out in balance under pooling/portfolio model.

Foreign Currency Sensitivity Analysis				
30 April 2019				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1- Net USD denominated asset/liability	507	(507)	507	(507)
2- Hedged portion of TL against USD risk(-)	--	--	14,900	(14,900)
3- Net effect of USD (1+2)	507	(507)	15,407	(15,407)
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(2,453)	2,453	(2,453)	2,453
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
6- Net effect of EURO (4+5)	(2,453)	2,453	(2,453)	2,453
10% change of other against TL				
7- Net other denominated asset/liability	280	(280)	280	(280)
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	280	(280)	280	(280)
Total (3+6+9)	(1,666)	1,666	13,234	(13,234)

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

Market risk (continued)

Currency risk (continued)

Foreign Currency Sensitivity Analysis				
31 January 2019				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1- Net USD denominated asset/liability	941	(941)	941	(941)
2- Hedged portion of TL against USD risk(-)	195	(195)	12,012	(12,012)
3- Net effect of USD (1+2)	1,136	(1,136)	12,953	(12,953)
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	1,350	(1,350)	1,350	(1,350)
5- Hedged portion of TL against EURO risk(-)	--	--	63	(63)
6- Net effect of EURO (4+5)	1,350	(1,350)	1,413	(1,413)
10% change of other against TL				
7- Net other denominated asset/liability	58	(58)	58	(58)
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	58	(58)	58	(58)
Total (3+6+9)	2,544	(2,544)	14,424	(14,424)

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24 Financial risk management (continued)

Fair value disclosures

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

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

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable	Intra-relationship between significant unobservable inputs and fair value measurement
Forward exchange contracts	Forward pricing: the fair value is determined using quoted forward Exchange rate and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.	Not applicable.

Financial instruments not measured at fair value

Other financial liabilities ⁽¹⁾	Discounted cash flows: the valuation model considers the present value of expected payment, discounted using a risk-adjusted discounted rate.
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⁽¹⁾ Other financial liabilities include bank loans.

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

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25 Ebitda reconciliation

EBITDA is not a defined performance measure in IFRS. EBITDA reconciliation for the three month period ended 30 April 2019 and 2018 are as follows:

	Note	30 April 2019	30 April 2018
Profit		10,082	25,060
Income tax expense		2,109	7,575
Profit before tax		12,191	32,635
Adjustment for:			
-Net finance costs		59,378	18,972
-Receivables and payables, interest net	16	(1,968)	1,051
-Receivables and payables, foreign exchange net	16	(2,200)	3,558
-Depreciation and amortisation		65,175	16,127
EBITDA		132,576	72,343

26 Subsequent events

None.