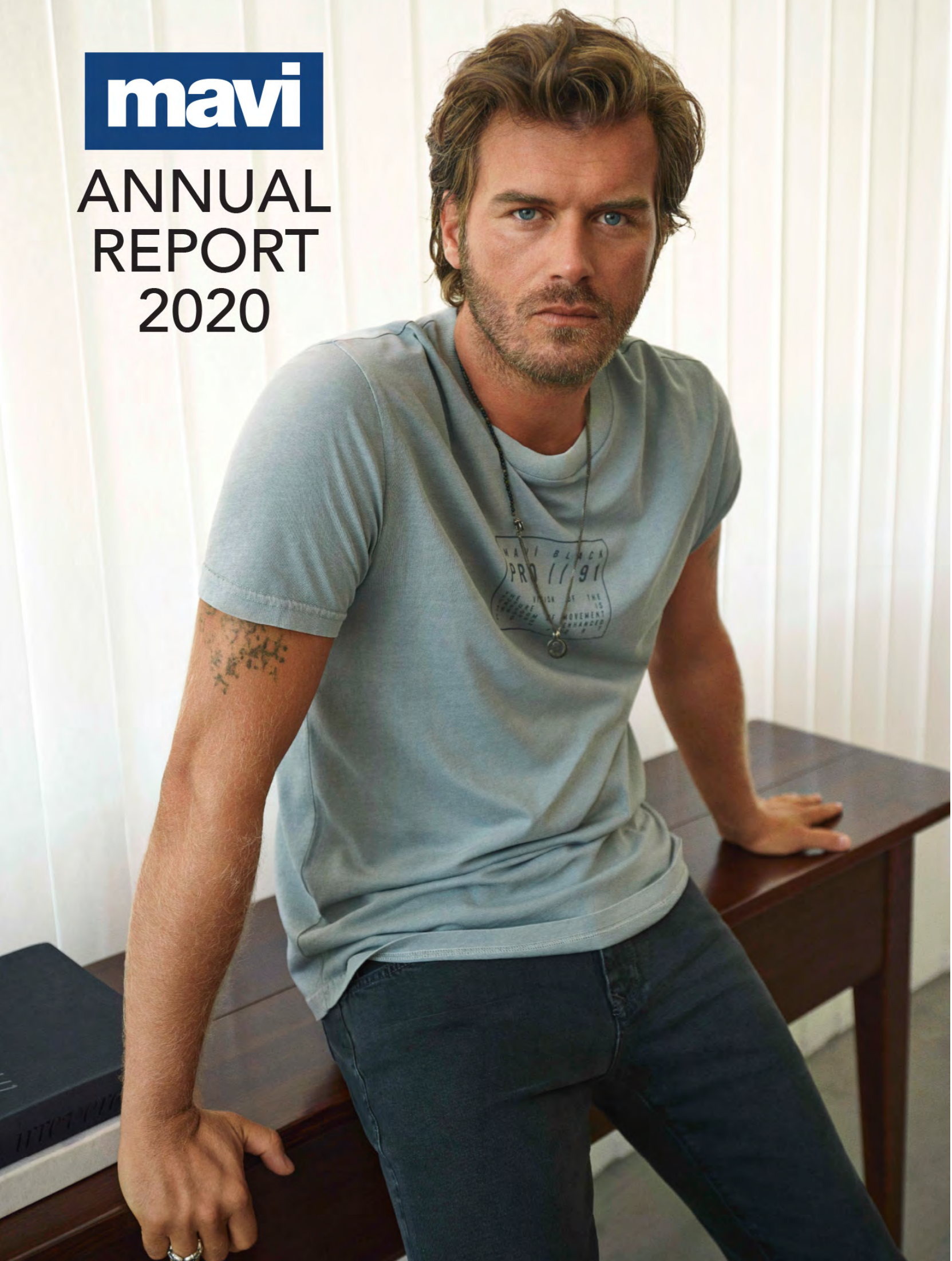


mavi

ANNUAL REPORT 2020





ANNUAL
REPORT
2020



CONTENTS

01. Key Financial Metrics 2020	3
02. Chairman & CEO Letters	13
03. Mavi Stands by You	21
04. Mavi Brand Highlights	25
05. Strategy And Business Overview	29
06. Denim Focused Lifestyle Brand and Perfect Fit Strategy	33
07. Sustainability Transformation with All Blue	45
08. Multi-Channel Execution with Retail, International and Online	53
09. Customer-Centric Communication Strategy	63
10. Sustainability Approach	73
Employees	81
Sustainable Value Chain	101
R&D and Innovation	115
Customer Satisfaction and Communication	121
11. Corporate Governance	135
Declaration of Compliance with Corporate Governance Principles	137
Legal Disclosures	171
Executive Management	173
Views of Board of Directors	176
Risk Management and Internal Control Systems	176
Responsibility Statement for the Annual Report	182
12. Independent Auditors Report & Consolidated Financial Statements	185
13. General Assembly	293
Agenda of the Ordinary General Assembly	295
Dividend Distribution Policy	296
Dividend Distribution Proposal	296
Dividend Distribution Table	297
Statements Of Independence	298



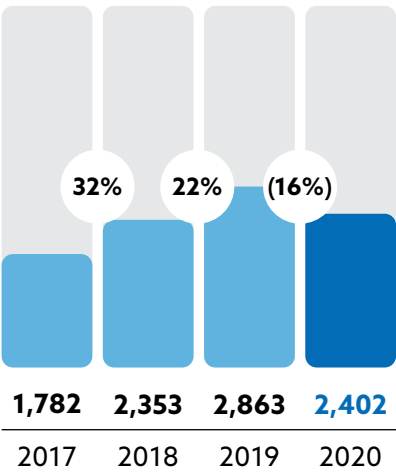
Key Financial Metrics 2020

01

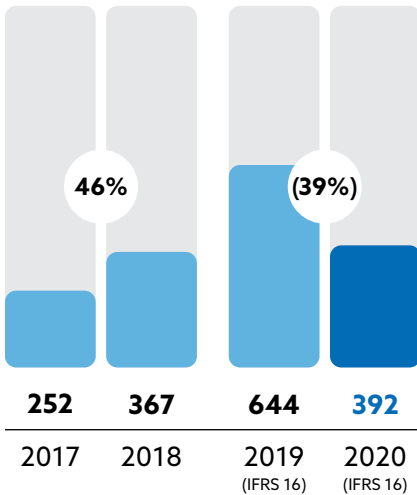


FINANCIAL PERFORMANCE

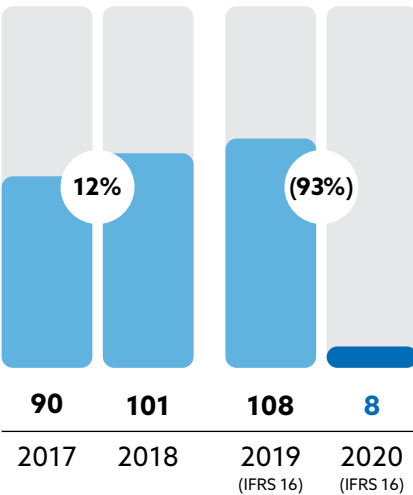
REVENUE (million TL)



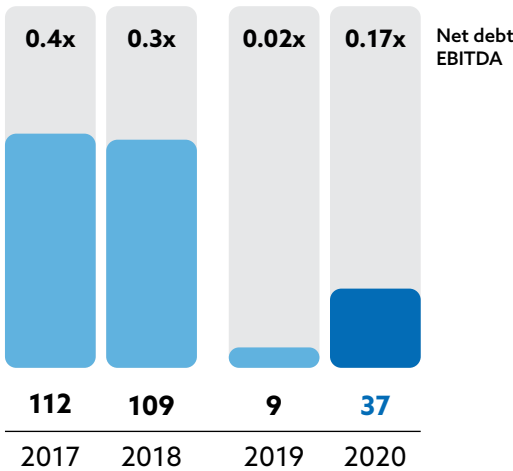
EBITDA (million TL)



NET INCOME (million TL)



NET DEBT (million TL)



CONSOLIDATED GLOBAL FIGURES



TURKEY

Retail stores: **320**
Average store size: **498**
Franchise stores: **64**
Wholesale doors: **563**
Employees: **3,729**



EUROPE

Retail stores: **1**
Wholesale doors: **~1,100**
Employees: **59**



USA

Wholesale doors: **~1,200**
Employees: **65**



CANADA

Retail stores: **4**
Wholesale doors: **~1,000**
Employees: **66**



RUSSIA

Retail stores: **18**
Franchise stores: **15**
Wholesale doors: **139**
Employees: **141**

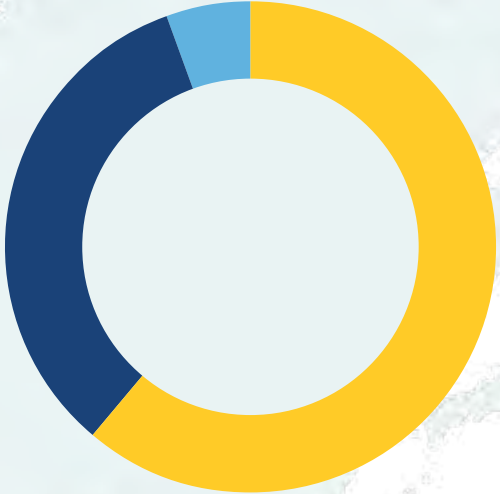


REST OF THE WORLD

Franchise stores: **17**
Wholesale doors: **37**

E-com
305 million TL
110% Growth

Wholesale
694 million TL
(16%) Growth



Retail
1.4 billion TL
(26%) Growth

2020 Consolidated Channel Revenue
2020 Consolidated Channel Growth

439

Mono-Brand
Stores
Global

384

Mono-Brand
Stores
Turkey

55

Mono-Brand
Stores
International

~4,500

Points of
Sale
Global



CONSOLIDATED GLOBAL FIGURES

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

33 countries, **439** mono-brand stores, **~4,500** points of sale

5 net new store openings, **(26%)** retail revenue growth

110% e-com revenue growth, **13%** e-commerce share in sales

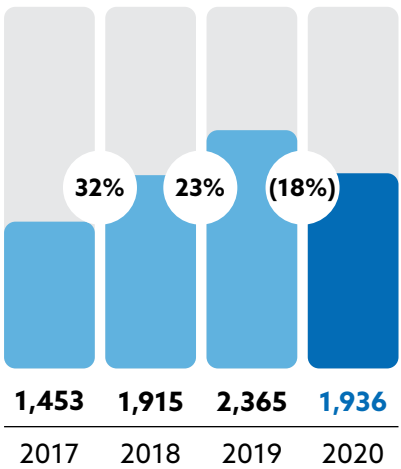
4,060 employees

~80% local sourcing, **120+** global suppliers



MAVİ TURKEY PERFORMANCE

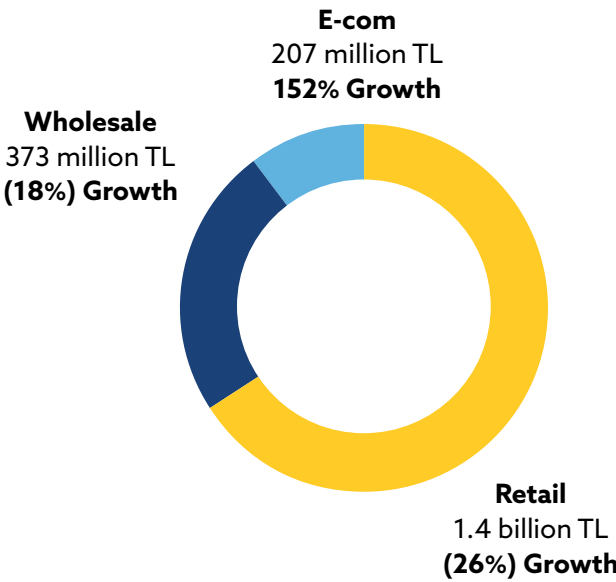
REVENUE (million TL)



320 retail, 64 franchise stores,
563 wholesale doors

6 net store openings
7 retail store expansion

159.4k sqm total selling space, average
498 sqm per store



33% women, 67% men
42% denim, 58% lifestyle
(TL-value)

8.1m customers
5.1m active for the last two years

20%¹ Market share, leader of the
Turkish denim market

2020 TR Channel Revenue
2020 TR Channel Growth

¹ According to IPSOS data, 14+ age



Chairman & CEO Letters

02



ERSİN AKARLILAR

Letter From the Chairman

With Mavi's vision, we have built a company culture that always keeps its focus on the future. As the customer and digitalization remain at the center in our thirtieth year, we are integrating our global All Blue strategy into all company functions. In 2020, we escalated our sustainability efforts with firm strides toward our goals. As we reduce water and energy consumption in the production processes we keep increasing the ratio of sustainable materials used in our products. One by one, we will fulfill the requirements of being a signatory of the United Nations Global Compact (UNGC) and Women's Empowerment Principles (WEPs).

Mavi is turning 30 this year. When we set out on this path, we had dreamed of creating a unique brand story. We conceived Mavi, its core values and corporate culture, by envisioning the future. Our vision was to build a sustainable and profitable growth model. Throughout the last three decades, we steadily reviewed our targets and made our initial dream a reality by making strategic decisions. The world we live in today is very different than thirty years ago. We witnessed many economic, social, and sectoral changes, managed countless crises, both anticipated and unforeseen, and honed our skills to adapt to the evolving conditions.

For us, 2020 was a year when we appreciated the true value of this combined experience. An unprecedented pandemic impacted the whole world. We had to manage this crisis calmly and with determination, and we quickly took action as the leadership team to manage this process well.

Our primary motivation was to remain in close contact with Mavi employees and the supply chain while protecting ourselves and our network in the broadest sense. We restricted business trips even before the legal measures were introduced, made remote working plans, and became the first company in Turkey to decide to close its stores in March. Before the controlled normalization in the third quarter, we planned the maximum possible measures for the stores. Once our stores resumed operations, the scope of our responsibility to protect people expanded beyond our employees and business partners and extended to our customers. Meanwhile, we maintained contact with our offices in Turkey, North America, Europe, and Russia and also took steps for public health.

Mavi remained focused on what it does best and demonstrated its competence in effective risk management.

Another management topic that had to be addressed concurrently was to focus on what we did best without losing time. I should note that the trust in our brand was our greatest assistant in this period. Thanks to the efforts that we have put in for many years to preserve our brand values and build a strong financial structure, we were able to maintain our sustainable and profitable growth and long-term targets without compromise. Almost every day, we saw the benefits of effective risk management and making data-driven decisions once again. Despite the uncertainties that prevailed in the global market, our business culture, balance sheet discipline, cash generation capability, low indebtedness ratio, and optimal inventory levels gave us more room to maneuver as we also followed the opportunities that this crisis could create.

As digital marketing channels gained prominence in 2020, it became apparent how smart the investments we made in e-commerce, CRM, technology infrastructure, and human resources were. The fact that we had addressed supply chain management as a priority for many years allowed Mavi to continue its operations together with its business partners without compromising quality. With our denim expertise, we were able to introduce new and innovative products to the customer. As with any crisis, our marketing communications continued as we attracted new customers. With a trust-based relationship with our customers since the very beginning, Mavi was the best brand to meet the needs of men and women alike in 2020. Throughout this period, we preserved all rights of our employees. And going beyond, we stepped up as a leading brand and extended our support to different segments of the community and in particular the healthcare workers.

As the customer and digitalization remain at the center in our next term, we are integrating our global All Blue strategy into all company functions. In 2020, we escalated our sustainability efforts with firm strides toward our goals. As we reduce water and energy consumption in the production processes we keep increasing the ratio of sustainable materials used in our products. One by one, we will fulfill the requirements of being a signatory of the United Nations Global Compact (UNGC) and Women's Empowerment Principles (WEPs).

What we experienced in 2020 showed that our entire team can quickly adapt to change, that the management is skilled in managing crises and agile in decision-making, and that Mavi is a highly resilient company. All of these capabilities allow us to look to the future with confidence in our thirtieth year and we would like to that our employees, business partners, customers, and shareholders that make it possible.



CÜNEYT YAVUZ

Letter From the CEO

Our continued efforts toward becoming a global company with a strong foundation and sound financial management kept us steady in this period. As our focus remains on sustainable and profitable growth and long-term goals, we appreciate the value of managing risks accurately and making data-driven decisions more than ever, as we keep growing by continually renewing ourselves. We would like to thank the entire team for working with dynamism guided by Mavi's brand values and culture, and our business partners, customers, and shareholders for always being there for us.

As uncertainties prevailed across the globe with the impact of the pandemic in 2020, we gained new experiences and strengthened the trust in our brand. We are grateful to the entire team, driven by Mavi's brand values and corporate culture, for working tirelessly in these challenging times, and to our business partners, customers, and shareholders for always being there for us.

Our continued efforts toward becoming a global company with a strong foundation and sound financial management kept us steady in this period. As our focus remains on sustainable and profitable growth and long-term targets, we appreciate the value of managing risks accurately and making data-driven decisions more than ever and we keep growing by continually renewing ourselves.

As the leading denim and apparel brand of Turkey, we closed 2020 with TL 2.402 billion in consolidated revenues. Despite the COVID-19 restrictions, we demonstrated strong recovery, especially in the third quarter, and maintained our profitable growth. The company posted an EBITDA of TL 392 million with an EBITDA margin of 16.3. With net five store openings, the number of our stores reached 439.

With long-term investments in e-commerce, CRM, technological infrastructure, and people, we rapidly responded to the changing consumer behavior.

The pandemic accelerated the evolution of consumer behavior such as the preference of casualwear, increased use of digital channels, and more focus on sustainability.

At a time when digitalization was critical, continuing with our investments to complete our CRM and ERP transformation allowed us to respond to new requirements more quickly with agility. In 2020, our consolidated online sales in Turkey and international markets grew 110%. This increase was 152% in Turkey. Thanks to our owned channels as well as our diversifying and growing marketplace partnerships, the share of online sales in total revenues rose to 13%.

We saw that focusing on our long-term goals along with our corporate culture driving change, regular analysis of the conditions, our way of doing business with agility and taking quick action, and our discipline, all made us even more resilient.

We, the Mavi Management Team prioritize efficiency in all operations and shape our growth strategy by considering the evolving market and customer behavior.

Maintaining our profitability by preserving a healthy balance sheet structure through low indebtedness, flexible supply chain, accurate planning, inventory, and cash flow management was our key strategic priority. Offering the right product at the right price and quality to our customers and preserving our margins became especially valuable in such trying times.

We continued to introduce novelties, increasing conversion rates and basket size.

Continuing to offer new products to the customers without compromise for accurate inventory management proved to be successful in terms of both strengthening brand loyalty and gaining new customers and growing sales. Despite the decline in store traffic, the actions we took resulted in higher conversion rates and average value per transaction while basket size increased by 13.6%.

As we remain focused on what we do best, we continue to interpret change through the lens of jeans culture and maintain our leadership in denim innovations. Today, we are more passionate than ever about creating the best jeans in quality, fashion and innovation.

In our continued communications, we place the product at the center of the story. We launched the “Legendary Jean Series” with Kivanç Tatlıtuğ, bringing ultimate comfort with new technical fabrics and we introduced 15 new women’s fits for all age groups, styles, and sizes with Serenay Sarıkaya. Team Mavi, the sporty line we launched in collaboration with Merih Demiral, the star player of the Turkish National Soccer Team and Juventus, attracted new customer segments.

Mavi is the preferred jeans and casualwear brand and as shopping behavior changed and smart-casual became the style of choice in this period, we saw increased customer interest. We remained the must-have of men and women from all age groups and segments by enriching our product lines according to this demand. We maintained our strong market share in women’s while our share in men’s increased as a result of the changes in the styles that men wore.

Mavi’s sustainability transformation gained momentum with the All Blue strategy.

With our global All Blue strategy, built on sustainable growth through quality, we made important strides in our commitment to integrate sustainability into the company culture, vision, ways of doing business, products and growth targets.

We became a signatory of the United Nations Global Compact (UNGC), the world’s largest corporate sustainability initiative. Mavi also became the first Turkish apparel brand to disclose its carbon footprint transparently. We released our climate reporting for the first time this year, outperforming the industry average on the CDP (Carbon Disclosure Project) platform with a score of B and received A- in the Supplier Engagement Rating.

In January 2021, we started using renewable energy in our head office and more than 100 stores. We also opened our first eco-store in Istanbul Zorlu Shopping Mall.

We demonstrated our commitment to supporting gender equality by becoming a signatory of the United Nations Women’s Empowerment Principles (WEPPs) and the 30% Club.

Our sustainable, environment-friendly All Blue collection doubled in scope and product variety. In addition to consuming less water and energy in production, we are increasing the use of recycled, upcycled, and organic cotton and raw materials, especially in our main denim product group. The products in this collection are the real and unfiltered versions of denim and are also all-vegan.

In 2020, we prioritized protecting the health of our employees, customers, business partners, and the public in line with our ‘People First’ principle.

As a leading brand, we stepped up to the plate and stood by the community during the pandemic. In the fight against the disease, we joined forces with our manufacturers to make protective masks. We delivered clean clothes as well as surgical masks and overalls to the healthcare professionals working on the frontlines. We also supported the projects of the Ministry of Family, Labour and Social Services for social solidarity. Meanwhile, preserving all the rights of Mavi employees and ensuring the continuity of our supply chain and business partners were among our top priorities.

As a brand that believes in the power of unity, we created ‘Hello Mavi’ as a global platform to connect us even as we were apart. Communicating with the entire Mavi team and our customers every morning was very valuable in terms of drawing strength from one another during these challenging times. The regular meetings with Mavi managers from global offices every morning allowed us to gain valuable insights and exchange different practices.

Furthermore, we took steps to make life easier for our employees as they tried to adapt to the changing conditions. We hosted online parent-child training programs and also partnered with a professional psychological support line to assist our employees and their families.

We believe that ranking “among the top 10 brands approved by the Turkish people for their pandemic response” according to independent surveys is the result of these actions, and we feel good knowing that we have fulfilled our responsibilities as a brand.

As a brand that always looks to the future, we will continue to work as a whole team to drive Mavi forward in 2021, the year we turn 30. I would like to thank our employees, customers, business partners, and shareholders once again for supporting us on our successful brand journey and always encouraging us to charge ahead.



At Mavi, we believe in the power of unity.

We continue to work and produce together.

We support the community and healthcare workers and join forces with our manufacturers to make protective masks.

At Mavi, we would like to say, “Hi,” ask how you are, produce together, express what we feel, and extend our support; in short, we want to stand by you as we always do.

Let’s keep making each other feel good. Mavi is here for you, #WeStandByYou.

Love,
Mavi



Mavi Stands by You

03

MAVI STANDS BY YOU



People First

In the critical period as the COVID-19 pandemic affected the whole world, protecting the health of its employees, customers, business partners, and the public was the top priority for Mavi.

As part of the efforts to stay healthy, Mavi became one of the first companies in the retail sector to temporarily close its stores and shift to the remote working model for the head office employees. Meanwhile, online sales were also halted for a month until all necessary measures were implemented.

Mavi quickly formed a Pandemic Committee and prepared emergency response plans and once all the hygiene and social distancing measures were in place, all Mavi stores resumed operations while the head office employees began to work at the office in shifts. Mavi also used the latest technological solutions to provide the safest and most hygienic work environment. In addition to conventional hygiene measures, the offices and the stores were periodically disinfected with the next-generation Nano Technological Antimic System, an antiviral, antibacterial, and environment-friendly process used especially in hospitals. To align with the requirements of this period, changes were made in the layouts of the offices and the stores. Transparent shields were placed between all the adjacent desks in the office and in front of the cash registers. The maximum number of people allowed in enclosed spaces was determined and enforced in all areas while branding was incorporated into the social distancing measures. Throughout this period, Mavi provided all personal protective equipment for the employees such as face masks, face shields, gloves, and hand sanitizers.



Mavi Stands by the Community

Mavi joined forces with its manufacturers to support the healthcare workers by making face masks. In addition to delivering medical masks and overalls, Mavi also provided clean clothes for the healthcare staff and made a monetary donation to the Ministry of Family, Labour and Social Services for social solidarity.

Ensuring that the supply chain was not disrupted and continuing to maintain the same high quality of its products also became key priorities as Mavi focused on supporting the manufacturers.

Continuous Communication

In 2020, many of the routine meetings with wide participation could not be held due to pandemic. However, online MassMavi meetings were organized more frequently to ensure continued communication with the employees. To maintain strong communication that is part of the brand culture, "Hello Mavi" emails were sent out every morning to encourage the employees to start the day with more motivation. The weekly "I love Mavi" emails aimed to help the employees spend their days in lockdown more efficiently. Maviletişim, the in-house communication portal, and the Mavi Connect app enabled continuous communication with the store employees. During the pandemic, the Mavi Management Team met regularly every morning and action plans were updated based on the information exchanged between the local and international offices.



Mavi also introduced an employee support program that the head office and store employees and their families could contact for psychological support 24/7. The objective of the employee support program was to assist Mavi employees and their families as they tried to deal with the negative effects of the pandemic. Furthermore, workshops were organized to help parents cope with the situations in this period.



Mavi Brand Highlights

04



MAVİ BRAND HIGHLIGHTS

Mavi, incorporated in 1991 in Istanbul, is today recognized as a highly successful global lifestyle brand with strong denim roots. With presence in 33 countries including Turkey, USA, Canada, Germany, Russia and Australia, Mavi sells its products through approximately 4,500 points including 439 Mavi shops.

The Perfect Fit philosophy guides Mavi in designing the jeans that perfectly fit the lifestyles, body types and quality expectations of its customers. Mavi ranks among the world's leading premium denim brands. The denim category accounts for 42% of Mavi's global sales and lifestyle apparel for 58%.

Mavi runs an omnichannel model, selling its products through a directly operated retail network with stores located in major international fashion centers, as well as department stores and online retailers including Bloomingdale's, Nordstrom, Simons, Amazon, Zappos.com, Zalando.com, and David Jones. In 2020, 58% of revenues came from retail, with wholesale accounting for 29% and e-commerce 13% of sales.

Mavi's global strategy, All Blue, is built on 'sustainable growth through quality' and focused on people, nature, innovation, digitalization, and efficiency to drive the brand forward with a dynamic structure. Mavi works passionately to develop the world's best and most innovative jeans while keeping its focus on 'quality' for sustainable growth. Driven by respect for people, passion for innovation, and focus on data and efficiency in operations, Mavi is synonymous with quality.

Mavi's trusted brand image translates into high quality and strong pricing power with products positioned between the upper-end of the 'core' and the 'premium' section of the ready-to-wear market. The loyalty program Kartuş, recognized as Turkey's best-in-class with 8.1 million members, serves as a key tool for Mavi to analyze and leverage customer data. With approximately 5.1 million members active in the last two years, Kartuş loyalty card is used in 75% of the retail transactions in Turkey.

Mavi has a unique brand position with fashion-savvy, young adult customers and collaborates with top local and international celebrities in its marketing communications. As a leading denim brand, Mavi shapes its communication strategies to align with its product development expertise and customer data.

With 4,060 employees globally, Mavi is recognized as an employer of choice by several rating platforms.



Strategy and Business Overview

05



MAVİ STRATEGY AND BUSINESS OVERVIEW

Aspirational **denim-centric lifestyle brand** positioning, inspiring the customer, employees and business partners.

Managing the quality and efficiency strategy with a focus on **sustainability and innovation** as a priority. Effective supply chain and flexible product planning, leveraging proximity to local manufacturers.

Strong retail network in Turkey, international presence, and **global e-commerce** and omnichannel sales operations. Online experience in Turkey and international markets, digital strategy to drive growth.

Effective and leading communication strategy and best-in-class **loyalty card management** enhancing brand awareness.

Experienced management team, fast and result-oriented organizational structure. Corporate culture, focused on reaching common goals, embracing diversity, and responding to change while earning **the trust of the customers and business partners**.

Strong and **sustainable financial performance**.

Mavi's All Blue strategy, built on '**sustainable growth through quality**' and incorporated into the global brand culture, product structure and company goals.



Denim Focused Lifestyle Brand and Perfect Fit Strategy

06



MAVI'S CORE BUSINESS IS DENIM.

Mavi is inspired by the denim lifestyle.



DENIM-FOCUSED LIFESTYLE BRAND AND PERFECT FIT STRATEGY

Mavi's Perfect Fit strategy means that the brand understands and tracks the customer needs while offering high quality for great value in response to expectations. Mavi follows the latest global fashion trends as well as those in its markets to identify the target consumers' requirements and offer the optimal options to meet their needs. This brings global recognition to Mavi as a denim-focused lifestyle brand that offers high quality, premium-priced apparel for men and women, and particularly for world-class quality denim products.

Mavi is the **leader of the Turkish denim market** with 20% share and ranks among the **top four womenswear and menswear brands in the apparel market**. In addition to ranking first in top-of-mind jeans brand awareness and powerful brand recognition in Turkey, Mavi also stands apart as the preferred jeans brand across both male and female consumer segments.

With a diverse design team that feels the market and an R&D team with strong technical expertise, Mavi's broad denim assortment for all markets includes **more than 200 fits and over 1,500 model options**. The CRM applications used in analyzing matrices of jeans fits and customer demographics serve as a key tool in differentiating the brand.

During the pandemic, Mavi focused on doing what it does best, interpreting change from a denim culture perspective and maintaining its leadership with jean innovations. In 2020, Mavi introduced "**Legendary Jean Series**" that maximized comfort with the use of new technical fabrics; **15 new perfect jeans fits for women** to appeal to all age groups, styles, and sizes; the enriched **sporty line Team Mavi; Ma Primi Giovani**, meaning "**But youth first**" and featuring sweatshirts, T-shirts, and tracksuits; and the expanded **sustainable All Blue collection**.

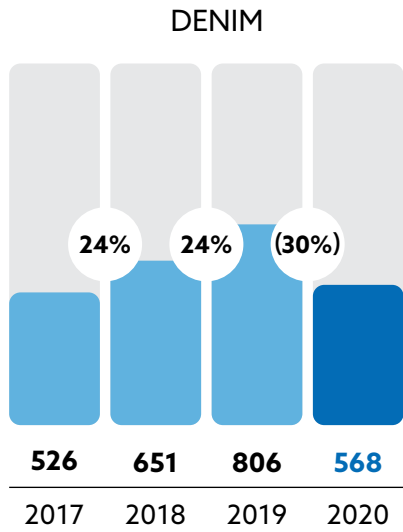
Being the preferred brand in jeans as well as casualwear elevated the customer's interest in Mavi during the pandemic when shopping behavior changed and smart-casual became the style choice. The brand maintained its position as the must-have of male and female customers in all age groups and segments by enriching the product lines according to rising demand. The strong market share in women's was preserved while men's increased thanks to the wardrobe changes seen among men in this period.

Continuing to offer new products without compromising effective inventory management serves to reinforce brand loyalty and to gain new customers while also resulting in successful sales growth. Despite the decline in store traffic, the actions that Mavi has taken have led to an increase in conversion rates and average value per transaction, with 13.6% growth in basket size.

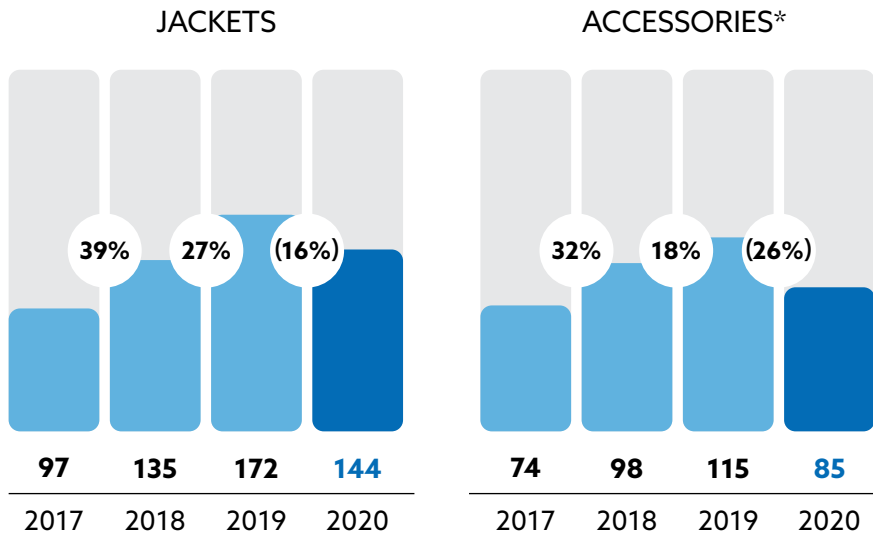
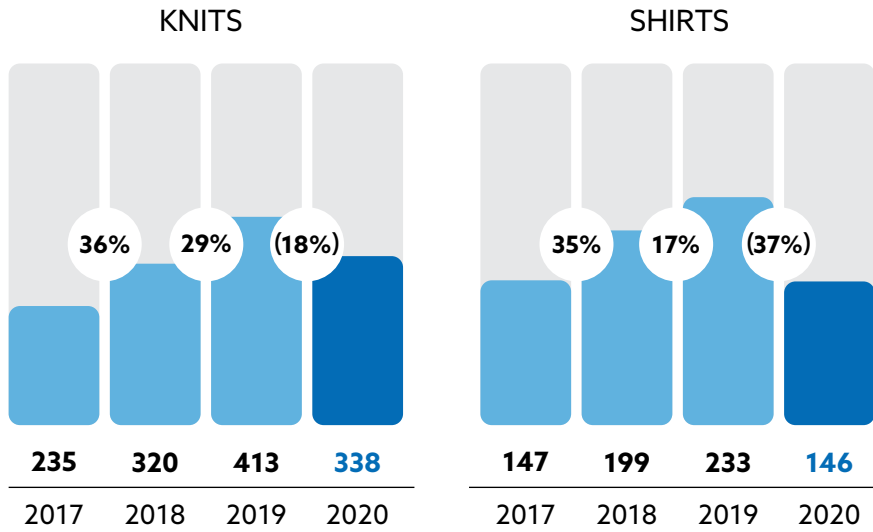


GROWTH IN EACH CATEGORY

Denim Products (million TL)



Lifestyle Products (million TL)



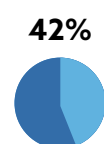
Turkey Retail Net Sales Only. Remaining 5% of net sales consist of non-denim bottoms, skirts, dresses and kids.
* Including shoes

PRODUCT PORTFOLIO AND CATEGORY SHARES

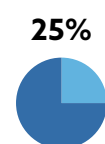
33% Women

67% Men

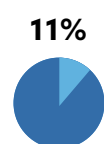
Product Category Shares in Sales



Denim



Knits



Shirts



WOMEN



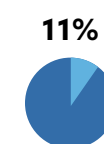
MEN

PRODUCT PORTFOLIO AND CATEGORY SHARES

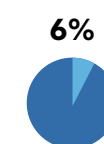
42% Denim

58% Lifestyle

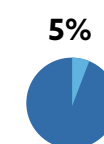
Product Category Shares in Sales



Jackets



Accessories (Shoes included)



Other



Monetary Value



DIVERSIFIED AND RELIABLE SOURCING MODEL

Quality-Driven Efficient Sourcing Structure

42% Denim
58% Lifestyle

- Turkey Retail Net Sales Split
- Denim-lifestyle balance of sales

~80% Made in Turkey

- Quality textile ecosystem
- Proximity improving speed and RFT

~20% imported

- Mainly outerwear and accessories
- 34 suppliers in 9 countries

+120 Responsible suppliers

- Well-established, long term relationships
- Internal audit team ensuring social compliance

MAVİ DENIM BUSINESS

50% of Product Cost

Owned by Mavi	Controlled by Mavi	
<div>Design & Development</div> <div><ul style="list-style-type: none">• Multinational denim design & development team• Fit blocks are created and owned by Mavi• Wash recipes and development managed by Mavi</div>	<div>Fabric & Raw Materials</div> <div><ul style="list-style-type: none">• Direct relationship with denim fabric mills• Fabric selection and management are handled by Mavi teams• Working with top-quality mills in Turkey that manufacture for premium global denim brands• Fabric R&D, exclusive development and innovation brings distinguished quality and look</div>	<div>Manufacturing (Cutting, sewing and washing)</div> <div><div><ul style="list-style-type: none">• Cutting, Sewing & Washing• ~70% from ERAK• Four manufacturers tendered for best price/quality</div><div>ERAK<ul style="list-style-type: none">• Best-in-class production facility• Sourcing to top global brands• Advantage on delivery times and manufacturing capacity• Competent cooperation in sustainability and innovation projects• Improved energy & water efficiency</div></div>



Sustainability Transformation with All Blue

07



SUSTAINABILITY APPROACH WITH ALL BLUE

Mavi built its **All Blue** strategy on 'sustainable growth through quality' with **people, nature, innovation, digitalization, and efficiency** as key values driving the brand and launched several important sustainability projects in 2020.*

- **Mavi became the first Turkish apparel brand to disclose its carbon footprint transparently**

The report that Mavi submitted to the **Climate Change Program, run by CDP (Carbon Disclosure Project)**, the global disclosure system, received a score of **B** in environmental performance and **A-** in the **Supplier Engagement Rating (SER)**.

- **Mavi's most sustainable collection All Blue doubled in product variety**

The sustainable All Blue collection, launched in 2019, more than doubled in scope and product variety in 2020. The denim products in the All Blue collection are made with innovative techniques consuming less water and energy and each pair of jeans is also all-vegan.

In 2020, Mavi started **Life Cycle Assessment (LCA)** studies to identify the environmental impact of its denim products.

- **Mavi's first eco-store opened in Istanbul Zorlu Shopping Mall**

Mavi designed a sustainable store concept to reduce the environmental impact and carbon footprint of its stores and opened its first eco-store in Zorlu Shopping Mall. The store, featuring an architectural design based on consuming less energy and using fewer materials, was built with materials that come with sustainability and emission certificates.

Mavi began to use renewable energy in its head office and 101 owned-and-operated stores.

- **Mavi joined corporate sustainability initiatives**

Mavi became a signatory of the **UN Global Compact**, the world's largest corporate sustainability initiative, demonstrating its commitment to working for a more sustainable world in 2020.

Mavi also made a promise to contribute to gender equality by signing the United Nations Women's Empowerment Principles (WEPs). The company joined the supporters of the global 30% Club Project, launched in Turkey by the Sabancı University Corporate Governance Forum with the aim of increasing the ratio of women on the Boards and in senior management positions to 30%.

* For more information, please see the '[Sustainability Approach](#)' section.



• **Mavi introduced action plans by identifying sustainability priorities**

Mavi identified 17 sustainability priorities by conducting stakeholder analyses. Six working groups were formed to create roadmaps and action plans for these priorities.

Priorities	Working Groups
<ul style="list-style-type: none">• Water and wastewater• Customer satisfaction• R&D and innovation• Raw material management• Brand reputation• Human rights and fair working conditions• Climate change and energy• Wastes• Digitalization and customer experience• Chemicals management• Talent management• Supply chain management• Sustainable products• Women's empowerment• Circular economy• Business ethics• Risk management	<p>Supply Chain</p> <p>Environment</p> <p>Sustainable Products and R&D</p> <p>Employees</p> <p>Corporate Governance & Risk Management</p> <p>Customer and Digitalization</p>



AWARDS AND RECOGNITIONS 2020



Leading denim brand with 20% market share in 14+ segment, ranking among top four women's and men's apparel brands in Turkey (IPSOS)



In the "Fortune 500" survey, Mavi is ranked 123rd among the largest 500 enterprises in Turkey, and 1st among jeans brands (Fortune)



Ranked among the top 3 apparel brands in the "Good Life Brands" survey (Marketing Türkiye)



Ranked among the top 10 brands in terms of the best pandemic response according to the "Brand Attitude Survey" (Mediacat)



Ranked among "Most Valuable and Strongest Brands in Turkey" according to Brand Finance's report



Ranked 2nd in the apparel and retail fashion industry in "Turkey's Most Admired Brands Survey" (Capital)



Ranked among Turkey's top 20 most reputable brands according to "Turkey Reputation Index Survey" (Turkey Reputation Academy)



Ranked 3rd in the Franchise 100 Survey (Ekonomist)



Ranked 47th in the "R&D 250" survey (Turkish Time)



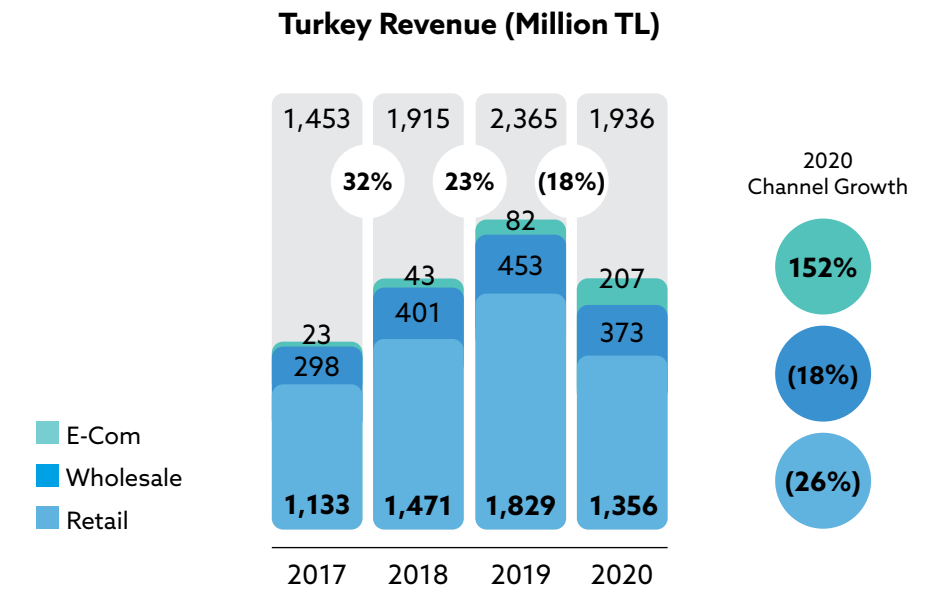
Multi-Channel Execution with Retail, International and Online

08

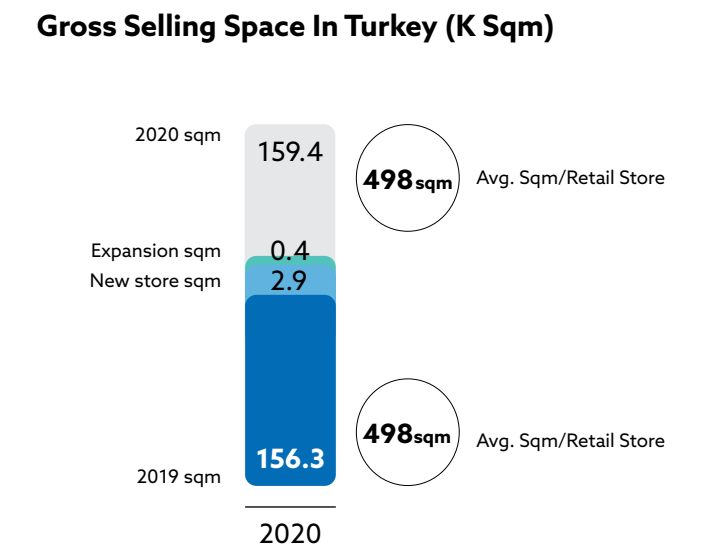
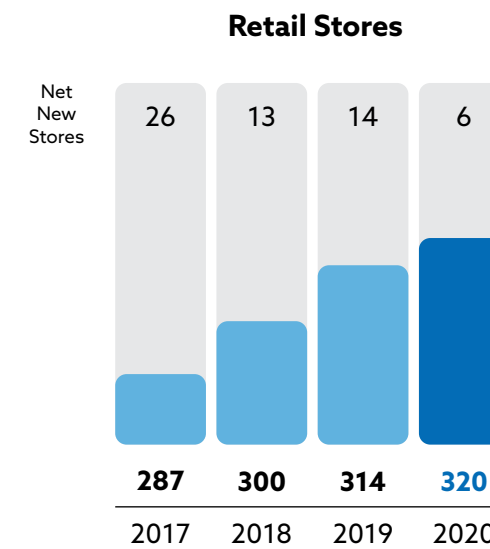


Sustainable And Efficient Growth In Turkey

Mavi's sales operations in Turkey consist of 70% retail, 19.2% wholesale, and 10.6% e-commerce.



Expanding Retail And New Stores



Complementary Wholesale Growth And Growing Multi-Channel Execution

563
POINTS OF
SALE

64
franchise
stores

336
corner
stores

163
department
stores

Mavi App. Take your Mavi store anywhere!



Download and start shopping now.



Investing in Online Platform as a Priority Growth Strategy

The pandemic created a springboard effect on digitalization while driving online shopping fast forward. Mavi's revenues in owned e-commerce channels (including mavi.com and B2C marketplaces), with strong growth potential in global markets and in Turkey increased by 110%. E-commerce revenues continued to grow in 2020. Mavi's owned mavi.com e-commerce site in Turkey, the US, Canada, Germany and Russia as well as B2C marketplaces accounted for 13% of total sales. With wholesale online channels included, the online revenues' share in total sales reached 18%. While capturing this growth, Mavi also proceeded to make further investments to offer an even better user experience and steadily enhance the online infrastructure.

The sales of mavi.com Turkey, launched in 2013, along with B2C marketplaces increased by 152%, accounting for 11% of revenues in Turkey.

Keeping its focus on growing its online presence in its markets and improving customer experience, the Company integrated its operations in Russia with local marketplace websites. E-commerce infrastructure in Germany transitioned to Shopify Plus, increasing its resilience. The mobile app's share in sales rose to 39% in Turkey.

Mavi.com, positioned as Mavi's largest store in terms of product variety, has been influential in enhancing the fashion perception and increasing shopping frequency with a broad range of styles and visual impact.

Mavi aims at offering a seamless and integrated customer experience across offline and online channels. Since the very beginning, integration with the offline CRM program has enabled mavi.com to stay ahead of the curve in terms of the customer benefits and rich data.

110%
global
consolidated
online
growth

13%
global
consolidated
online
revenues'
share in
total sales

152%
online
sales
growth in
Turkey

11%
online
revenues'
share in total
sales - Turkey

44%*
online
revenues'
share in
total sales -
international

*including wholesale online

Highlights of Online in 2020

- Active users reached 1.7 million.
- Guest checkout infrastructure spread across Turkey.
- Customer experience on the website and mobile application improved with the use of artificial intelligence.
- Germany moved to Shopify Plus system in 2020 Q1.



International Growth and Profitability

The international distribution network includes 55 mono-brand stores and mavi.com as well as wholesale and e-commerce business partners such as Bloomingdale's, Nordstrom, Zappos.com, Amazon, Simons, David Jones, and Zalando.com. These include 33 franchise stores and nearly 4500 multi-brand stores.

Mavi's international operations are focused on the United States, Canada, European countries, with Germany as base, and Russia. Other than the four main international markets, Mavi operates in the neighboring regions and has 17 mono-brand and 37 multi-brand franchise stores in 19 countries. The operations in these countries, mainly in the Middle East, North Africa, Balkan and Caucasus countries, are managed as wholesale channels completely from the Istanbul head office.

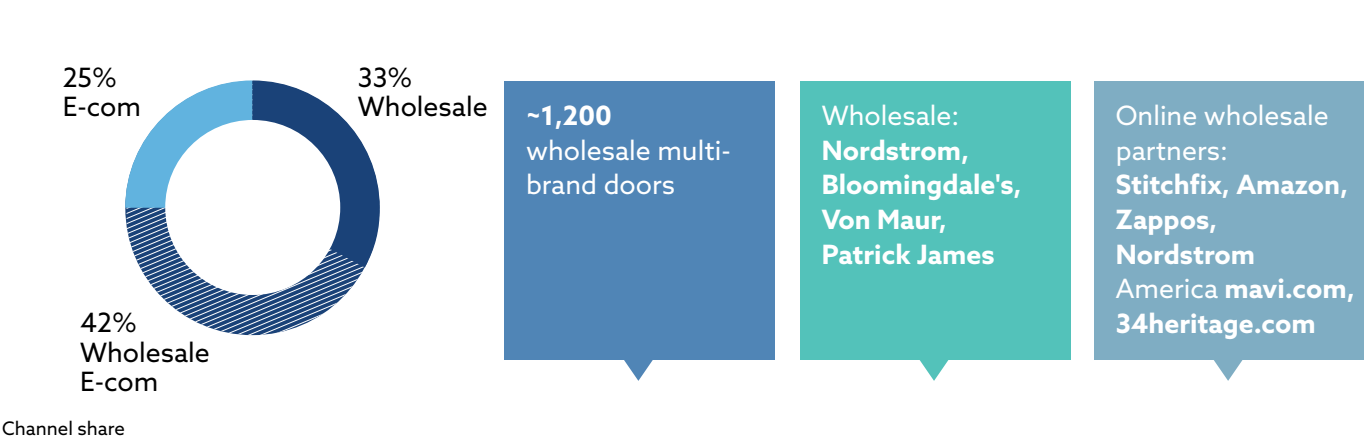
~4,500
doors in
33
countries

55
mono-brand
(**23** own-
operated,
32 franchise)

Online
channels'
share in global
44.2%*

* Wholesale included

USA Operation



Europe Operation



Canada Operation



Russia Operation





Customer-Centric Communication Strategy

09



CUSTOMER-CENTRIC COMMUNICATION STRATEGY

Turkey's Loved Brand And Market Leader, Always Aiming To Be "More"

- Committed to superior quality, sustainability, and maintaining the customer's trust across all touchpoints from product and service approach to marketing and communications.
- Unique brand positioning resonating with both women and men.
- Effective seasonal communication activities with sustainable success driven by brand-aligned celebrity collaborations with high reach.
- Pricing capability to match brand perception and quality, amplified through communications; segment expansion possibility.
- Campaigns and communications plans to translate CRM data into an effective customer strategy. Driving traffic with existing customer frequency and new customer acquisition.

Denim-Centric Lifestyle Brand Keeping The Pulse Of The Times

- Innovative brand and product strategies continuously updated in line with global trends, consumer insights and customer data.
- Constantly refreshed brand image while staying true to its core.
- Communication activities to enrich brand values using a language associated with Mavi to engage new generation.
- Digital innovations to improve customer experience across all touchpoints including mavi.com, Mavi app, and social media.

Inspiring Global Brand Communications

- Perfect Fit strategy across global customer base.
- Global image campaigns with fashion's high-profile faces. Endorsed by celebrities.
- Brand communications empowered by creative collaborations that differentiate the brand through product innovation, and sustainable products and projects.
- Customer, product and communications strategy to drive share of online globally.

Kartuş and its benefits are on Mavi App



Download and start shopping now.



Customer Loyalty Program: Kartuş

Customer data and product strategy are at the core of the brand's communication activities, supported by the best-in-class loyalty program (Kartuş) of 8.1m members. The Kartuş loyalty program, with approximately 5.1m members active for the last two years, is a card and mobile app, with ~1.7m downloads and used extensively in retail transactions in Turkey.

Customer data derived largely from Mavi's best-in-class loyalty program (Kartuş) since 2007 is at the core of the brand strategy. The loyalty card/program is used widely in shopping and accounts for 75% of retail revenues, serving as an exceptional tool to provide the marketing team with data and deep understanding about Mavi customers.

Mavi makes effective use of CRM data to develop opportunities and advantages that respond to customer expectations and needs, and runs personalized campaigns and communications to drive customer frequency, basket size and lifetime value. Effective CRM analyses guide brand and product strategy. Mavi leverages customer insights and technology to create innovative products. CRM data offers significant advantage in the new product development process by analyzing customer profiles and matching products to identify potential areas.

8.1m
loyalty card
members

75%
of the retail revenue

5.1m
active
members

350k
new Kartuş loyalty
card members in
2020

Rapid Growth with Young Generation

47% women
51% men
of customers
under 35

65%
of new customers
under 35

2020 AD CAMPAIGNS

Spring/Summer



[We're Being Too Much](#)

Kıvanç Tatlıtuğ, Merih Demiral

Fall/Winter



[Legendary Jean Series](#)

Kıvanç Tatlıtuğ



[Your Jean Your Mavi](#)

Serenay Sarıkaya



[Merih Demiral M28 x Team Mavi](#)

Merih Demiral

Marketing Communications

Mavi's marketing communications strategy is centered on increasing brand awareness across marketing channels and the countries where it operates, as well as ensuring that the brand is more closely connected to its consumers and market constituents. The overall message of the brand that underscores its leading position in denim supports strong pricing and product diversity while campaigns at regular intervals bring measurable sales growth and attract more visitors. The 360-degree communications activities run via different channels are a driving force of growth.

In the early days of the COVID-19 pandemic, Mavi determined public health as its top priority and became the first brand to temporarily halt operations in all its stores on March 19, 2020 and online sales on March 29, 2020. In this period, Mavi continued to give the message **"Mavi stands by you"** to its employees, customers, and business partners through seamless communications.

In marketing communications, working with Serenay Sarıkaya and Kıvanç Tatlıtuğ, two of the most influential stars in Turkey, as brand ambassadors, joined by Merih Demiral, the star player of the Turkish National Team and Juventus in 2020, created heightened awareness and engagement with the introduction of new product lines. In its fourth season, the **Serenay X Mavi Icon** collection, featuring iconic, on-trend styles expanded with casual jeans and sporty designs.

In the FW20 season, Mavi launched the **Legendary Jean Series** as a testament to its jeans technology and craftsmanship, highlighting its denim expertise and succeeding to increase its market share in men's again this year.

The **Team Mavi Collection**, launched with an ad campaign featuring Kıvanç Tatlıtuğ and Merih Demiral, and the **M28** collection, inspired by Demiral's jersey number, both reached the targeted young audiences that seek sporty, dynamic and strong styles.

Mavi also launched an exclusive collection inspired by young people in collaboration with **Ma Primi Giovani** (But Youth First), the brand founded by 19-year old Defne Yiğit, appealing to the young and new customers.

With the ongoing sustainability transformation that started the previous year, the **All Blue** strategy and the eco-friendly **All Blue Collection** continued to capture interest. The **Coca Cola X Mavi Collection**, created in collaboration with Coca-Cola under license and made from recycled pet bottles to contribute to a better future, was another line that Mavi introduced in 2020.

Mavi continues to break engagement records with media planning that uses television, digital media, PR, out of home, point of sale and various online platforms. These marketing communications continued seamlessly with the launch of four different ad campaigns in the domestic market, reaching over 40 million views on TV and more than 52 million on digital media in each launch. The press conferences and events organized for these campaigns with VIP guests in attendance were widely covered by the media. With each seasonal launch creating at least as much buzz as its commercials and capturing over 9-12 million views on social media, Mavi was once again among the most talked about brands in 2020.

In 2020, sustainable communication activities in social channels, in line with Mavi's digitalization vision, enabled global engagement with 3.3 million followers, with 39% under the age of 24, and reached 199 million impressions on digital media in the domestic market. Meanwhile, 91% of conversations on social media were positive. Collaborations and product communications, such as product placements in popular TV series with characters wearing Mavi and strong influencer communications, made it possible to reach wider audiences of different age groups and lifestyles.



AWARDS AND RECOGNITIONS 2020



Bronze Effie in the fashion category for the “Mavi Benim” campaign with Serenay Sarıkaya at the prestigious Effie Awards of the advertising world



Bronze medal in the casual apparel category at the Social Media Awards Turkey Data Analytics Awards (Marketing Türkiye)



Ranked 52nd among Turkey’s best brands recognized for their company culture in the “Culture 100” survey (Fast Company)



“The Most Admired Collaboration” award at Mavi Elma Awards with “Mavi and Merih Demiral” (Istanbul University School of Business)



Ranked 40th among women-friendly companies and 22nd among women executive-friendly companies (Capital)



Ranked among top 10 most preferred menswear brands in the “My Brand” Survey (Z Raporu)



Gold award winner in the apparel category at the ACE (Achievement in Customer Excellence) Awards (Sikayetvar.com)

mavi
all blue

no filter
all vegan
less water
much love!

Sustainability Approach

10



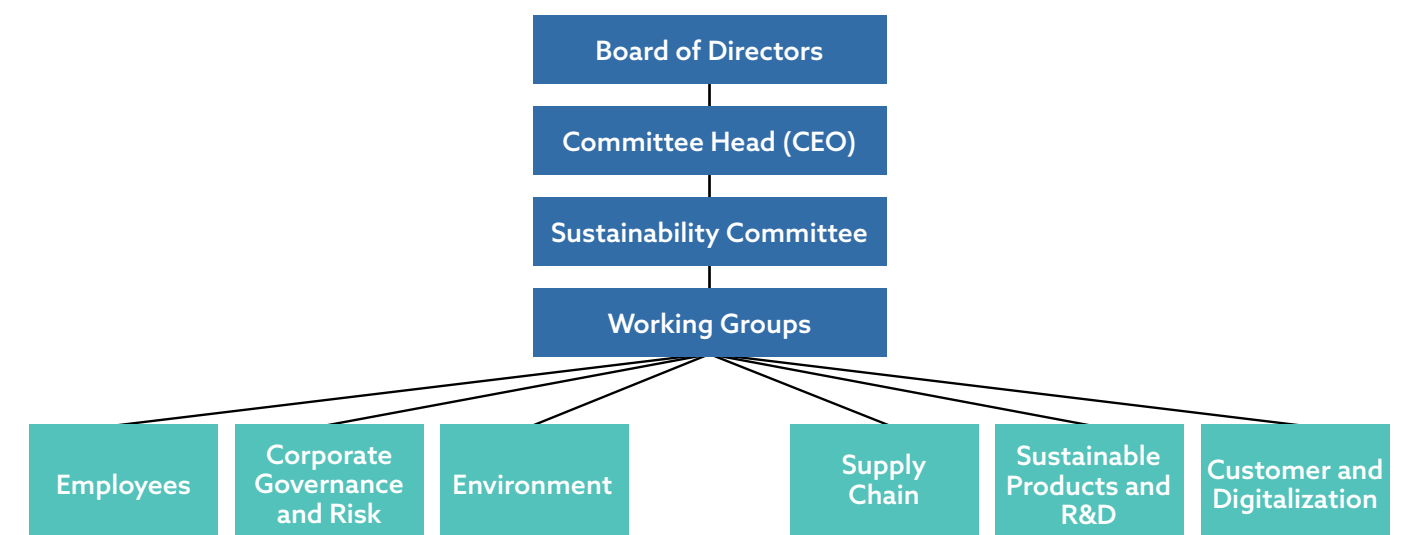
SUSTAINABILITY APPROACH

The textile industry is undergoing a transformation with the impact of global trends, including climate change, changing consumer behavior, finite natural resources, technology, and digitalization. Meanwhile, the world is also going through challenging times brought about by the COVID-19 pandemic that started in early 2020. This period showed that companies with more resilience, agility, and high adaptability were impacted less severely by global crises when they developed leadership skills.¹ Companies that manage the environmental, social and corporate governance (ESG) risks and opportunities proactively tend to be less affected by the negative consequences of the pandemic.

Turkey's leading denim and apparel brand Mavi has built its global All Blue strategy on 'sustainable growth through quality,' focusing on people, nature, innovation, digitalization, and efficiency as key values to drive the brand forward. Accordingly, the company accelerated its sustainability efforts in 2020 to broaden its vision of industry leadership to encompass sustainability. Grounded in strategic priorities, the company's sustainability strategy is developed in a manner to respond to the global trends that guide the textiles industry and to contribute to the United Nations Sustainable Development Goals. Mavi will duly disclose its sustainability strategy and the smart short-, mid-, and long-term goals that will enable the company to implement this strategy.

A Sustainability Committee has been established under the Mavi Board of Directors to ensure that sustainability management is carried out in integration with the company's business strategy and objectives. Furthermore, six working groups – **Employees, Corporate Governance and Risk, Environment, Supply Chain, Sustainable Products and R&D, Customer and Digitalization** – have been formed with managers and employees from the relevant departments. Each working group has a roadmap to assist in determining and realizing the sustainability goals of Mavi. As they proceed along their roadmaps, these groups regularly update their actions in line with the changes in the company's future plans and global developments.

[For more information on Duties and Working Principles of the Sustainability Committee, please click here.](#)



¹ The heart of resilient leadership: Responding to COVID-19, Deloitte Insights

As a company that aspires to lead the industry's sustainability transformation, Mavi recognizes the importance of taking part in the international sustainability platforms. Accordingly, Mavi became a signatory of United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative. With this signature, the company has declared its commitment to aligning its strategies, ways of doing business, and operations with the ten UNGC principles on human rights, labor, environment, and anti-corruption. Mavi is also a signatory of the United Nations' Women's Empowerment Principles (WEPs) and a member of the 30% Club, confirming its concrete support of gender equality. Mavi became the first Turkish apparel brand to disclose its carbon footprint transparently. The report that the company submitted to the Climate Change Program, run by CDP (Carbon Disclosure Project), the global disclosure system, received a score of B in environmental performance and A- in the Supplier Engagement Rating (SER).

Material Issues

Mavi has identified the material issues for sustainability and conducted a stakeholder analysis in accordance with the AA1000 Stakeholder Engagement Standard. These analyses involved obtaining the opinions of various internal and external stakeholders, including Mavi employees and franchisees, analysts, investors, financial institutions, business partners, and suppliers. The franchisees shared their opinions in a focus group study while the other stakeholders were asked to respond to an online questionnaire. The external trends include the global risks published by the World Economic Forum, the industry-specific material issues prepared by the Sustainability Accounting Standards Board (SASB), Sustainable Development Goals, and the priorities of other leading companies in the industry.

The Company's strategy and goals were ascertained through one-to-one meetings with senior management. SASB's impact analysis methodology, which enables addressing each issue in terms of different effects and opportunities, was used in the process. As a result of these assessments, the issues were categorized into medium, high, and very high priority.

Stakeholder Group	Stakeholders	Methods
Direct economic impact	Senior Management Employees Suppliers Franchisees Business Partners Investors Customers	Online surveys One-to-one meetings Focus group study
Indirect economic impact	Analysts Financial Institutions Media NGOs	Online surveys Literature reviews
New opportunity, knowledge, and approach drivers	Universities	Online surveys Literature reviews

Materiality Matrix



Very High Priority

- 1 Water and wastewater
- 2 Customer satisfaction
- 3 R&D and innovation
- 4 Raw material management
- 5 Brand reputation
- 6 Human rights and fair working conditions
- 7 Climate change and energy
- 8 Wastes
- 9 Chemicals management


High Priority

- 10 Digitalization and customer experience
- 11 Talent management
- 12 Supply chain management
- 13 Sustainable products
- 14 Women's empowerment
- 15 Circular economy
- 16 Business ethics
- 17 Risk management

Medium Priority

- 18 Employee loyalty and satisfaction
- 19 Data privacy and security
- 20 Occupational health and safety
- 21 Corporate governance
- 22 Youth empowerment
- 23 Equal opportunity and diversity
- 24 Industry-specific sustainability transformation
- 25 Entrepreneurship
- 26 Biodiversity
- 27 Community investment programs

Importance	Priority Aspect	Related SDG	
Very High Priority	Water and wastewater	 	
	Customer satisfaction		
	R&D and innovation	 	
	Raw material management	 	
	Brand reputation		
	Human rights and fair working conditions	  	
	Climate change and energy		
	Wastes		
	Chemicals management		

Importance	Priority Aspect	Related SDG	
High Priority	Digitalization and customer experience	 	
	Talent management	 	
	Supply chain management	 	
	Sustainable products	 	
	Women's empowerment	 	
	Circular economy	 	
	Business ethics		
	Risk management		



EMPLOYEES

As a brand recognized both in Turkey and in the international arena, Mavi builds its sustainable success on its innovative, creative, and dynamic corporate culture. The employees are the most important asset that fosters this culture. In selecting talent, Mavi seeks teammates who embrace diverse opinions and ideas, value the importance of personal development, and who are flexible and creative. Mavi also expects its employees to be sensitive to the major environmental and social issues on the global and local agenda.

[Please click here to access Mavi’s People and Its Principles, which forms the foundation of the Human Resources approach.](#)

Employer Identity

Mavi defines its employer identity and the principles of its work environment as follows:

Joining Mavi means:

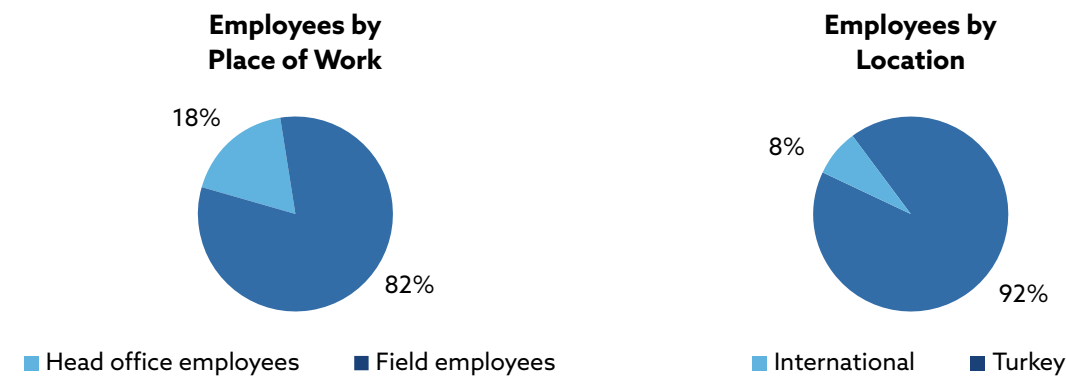
- Contributing to an organization with 4,000+ members, each of which respects the other,
- Being part of an environment where your personality and skills are appreciated, utilized effectively, and rewarded with proper compensation,
- Sincerely embracing, sharing, and pursuing the mission and responsibilities of an industry-leading brand,
- Acquiring the awareness of working daily to offer good things to people around the world,
- Doing your job with passion and caring for the expectations of the millions of people that engage with the global Mavi family,
- Keeping up with all business-related developments, remaining open to innovations, and sustaining professional dynamism.

Equal Opportunity and Diversity

Mavi provides its team of **4,060** employees a work environment where human and employee rights are respected. Of the entire workforce, 92% is located in Turkey and 8% in the other markets where the company operates. Head office employees account for 18% of the total human resource and the field employees for 82%.

The company’s **average employee age is 27**, with **74% under 30**. As well as offering employment opportunities to the youth, Mavi also taps into the country’s young and dynamic workforce potential.

Mavi believes that true wealth can only be attained when diverse cultures can live together and therefore promotes cultural diversity and equal opportunity. Mavi’s human resources approach is compliant with the Universal Declaration of Human Rights, ILO conventions, and UNGC principles.



All employees are treated equally and offered equal opportunities in line with the Diversity and Inclusivity Policy. In all human resources processes, including recruitment, training and development, performance and talent management, career management, and remuneration, no discrimination is made against gender, race, skin color, religious belief, spiritual or political ideology, ethnicity, economic status, sexual orientation, health condition, disability, age, or physical appearance. Accordingly, Mavi works to achieve a balanced male/female employment ratio in all human resources processes and recruitment in particular.

Gender Equality

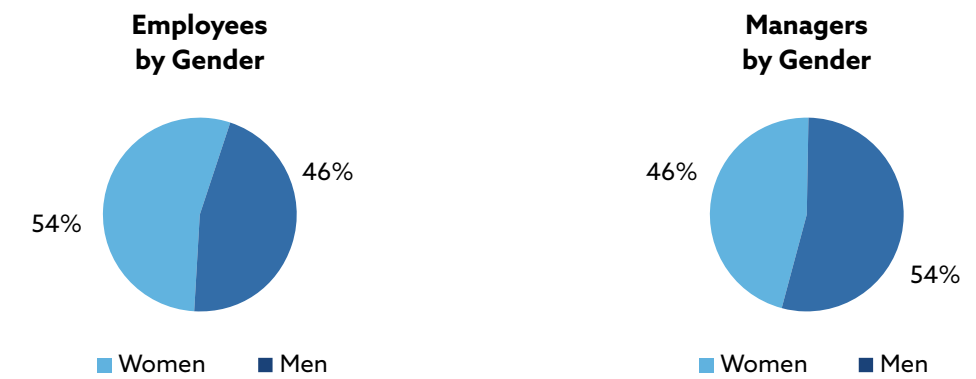
As part of its sustainability efforts, Mavi has kept its focus on women's empowerment, becoming a signatory of **United Nations' Women's Empowerment Principles (WEPs)** in early 2021. The company joined the **30% Club**, which aims to increase the representation of women on the company boards. Mavi promotes the active participation of men in addressing all kinds of challenges and biases that cause gender-based discrimination and is a member of the **Yanındayız Association**, whose mission is to contribute to the transformation of social life to achieve gender equality.

Women constitute 54% of Mavi's total workforce and approximately 46% of the managers. The women account for 59% of the head office employees.

Mavi works to ensure a balanced male/female employment ratio both in the head office and also in the field. Accordingly, the company's target is to raise the ratio of women store managers from 42% in 2020 to 44% in 2021. In 2020, women accounted for 56% of all store recruitment and men for 44%.

The job description of a Maviolog, which is a basis for promotion in the stores, is to enhance the product knowledge of the teammates in the store where they serve, to ensure every customer leaves the store with the right product and combination, and to create an excellent shopping experience for the customer. As part of the Career Management Procedure, 52% of the employees who were promoted to Maviolog were women in 2020.

To encourage women's participation in the workforce and to help them achieve work/life balance, Mavi offers all women employees with children in the 1-6 age group daycare support, shuttle, and breakfast as well as allocating nursing rooms. In 2020, 42 employees took maternity leave and 90% returned to work later. Private health insurance, which offers wide coverage and extra child coverage at discounted premiums after birth, is available for women employees. Annual check-up is an added benefit offered to women aged 40 and over. Nursing rooms have been renewed for female employees who return to work after maternity leave to spend their nursing time in the early period of motherhood in a private, calm and comfortable space. Furthermore, parenting seminars are organized for expecting mothers and fathers.



Talent Management

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

Human Resources Policy and practices are designed to support Mavi's strategic goals and the performance needed for sustainable growth. All the investment made in human resources aims to reinforce Mavi's objective to **become the employer of choice**. Mavi's most important asset is its human resource and ensuring that the employees work with high effectiveness and efficiency, and achieving ultimate satisfaction, loyalty and motivation are key corporate objectives.

The **Mavi Competency Model**, introduced within the framework of talent management, defines the competencies and skills needed to drive the company further. This model also defines the personality and behavioral traits that the employees need to display to become the leaders that will support the company's vision.

Attracting and Retaining Talent

The objective of the effectively planned talent attraction and recruitment process is to capture young talent. For this purpose, Mavi works in close collaboration with universities and student associations and organizes a range of effective activities such as projects, internships, interview simulations, and case studies. Mavi collaborated with digital platforms that bring together universities in various provinces across Turkey. By joining these events, Mavi aims to communicate with the students to advise them about career and job opportunities as well as the company's human resources practices. In 2020, Mavi participated in **more than 30 events** on digital platforms, reaching **100+ universities and more than 6,000 students** in Turkey and **engaging with over 600 thousand. More than 300 students** also attended the trainings on interview tips and communication.

The Employee Referral Program was introduced in Germany, enabling Mavi employees to refer candidates to vacant positions.

Through the internal application system, which prioritizes in-house applications, existing employees can play an active role in their own careers while obtaining guidance on their career development. Mavi announces all vacancies on its intranet to its employees. The **internal vacancy announcement** system gives the employees a chance to transfer between departments and/or stores. In 2020, 8 store employees transferred to head office positions while 10 head office employees changed departments. The company also has an **International**



Assignment Program for employees that intend to continue their careers in another country. With this program, Mavi aims to transfer the important knowledge of the head office employees to different cultures to build a wealth of experience and to support their career development in the international arena. Since 2016, six employees have benefited from this program and found the opportunity to work for Mavi's international operations.

All the complaints and feedback received from the employees are carefully considered. The issues communicated through the Ethics Line mostly concern human and employee rights, and human resources practices. Mavi has introduced certain measures to resolve these issues with a sustainable approach. Accordingly, a Retail HR Ethics Violations Monitoring manual was prepared to ensure that a system is in place for the employees who report ethics violations to get a response to their complaints and to define a standard complaint review process for the entire human resources team. Furthermore, a Change of Workplace Procedure that defines the principles for transferring to other stores and standardizes this process was published.





HUMAN RESOURCES PRINCIPLES

To recruit young people and experienced professionals that will drive Mavi forward.

To fill vacant positions from existing human resource, where possible.

To recruit the most suitable candidates by considering the Company's current and future needs, to offer equal opportunities to the candidates, and to ensure cultural diversity.

To establish and implement systems that enable the employees to train, develop, succeed, and rise professionally.

To invest constantly in developing the employees, to prepare and deliver training programs by identifying training needs.

To ensure that the employees are placed in positions that match their knowledge and skills, to introduce practices that elevate work effectiveness and productivity.

To increase employee loyalty through career opportunities and recognition.

To create and maintain a safe, healthy, and peaceful working environment in terms of environmental and occupational health and safety.

Performance Assessment

Talent management includes a systematic assessment of the employees. To plan HR management processes accordingly, a performance management system based on objective criteria is applied in the annual performance assessments. The results obtained from these assessments are taken into consideration in career planning, identifying development needs, and establishing performance-based remuneration. Annual performance assessments provide all employees with feedback on their development and career plans. Using the data derived from performance assessment results, various employee development programs are created.

In 2020, work continued for integrating the store employees’ performance assessments, conducted in the second and sixth months of their employment at Mavi, into the digital platform.

As part of career planning, 193 people, including 49 head office employees and 144 store employees (54 sales representatives, 66 Maviolog employees, 16 assistant store managers and 8 deputy store managers) were promoted to one higher position while 8 employees were transferred from the stores to functions at the head office. The voluntary employee turnover rate was 12% at the head office and 21% in the stores. In 2020, the ratio of high-performing mid-level and higher managers who resigned was 5%.

Total Compensation

Mavi provides and develops the resources and tools required to conduct satisfaction and loyalty improvement activities to encourage the employees’ positive performance.

Total Remuneration and Benefits

Mavi supports its employees with competitive remuneration and benefits that reward high performance. At Mavi, remunerations are aligned with the company’s ethical values, internal balances, and strategic goals while making sure that the employees are compensated in accordance with the highest standards and for their performance and the value that they create. The economic conditions are regularly monitored to ensure that the employees maintain their positions in the job market and to keep the compensation packages balanced and competitive. Mavi also strives to meet the employees’ social needs and to raise their working and living standards by offering a variety of fringe benefits, including personnel shuttles, lunch, private health insurance, company vehicle, Kartuş discounts, breakfast, and day care support, birth and marriage subsidy, etc.

Private health insurance, family benefits and annual check-ups can be provided depending on the position and work categories. A workplace physician is available to employees at the head office two days a week and a nurse is available every weekday. The monthly salaries are determined on the basis of market and/or industry conditions, inflation rates, the employee’s position, tenure in the company, qualifications, and individual performance. Base salaries are revised and determined annually following the recommendations of the Corporate Governance Committee. Salary surveys conducted by independent consulting firms are also taken into account in every pay raise period.

Monthly Sales Commissions: Monthly sales commissions are an integral part of Mavi’s compensation system that rewards the store employees’ commitment to certain criteria, including customer satisfaction (Happiest Mavi Customer), product reviews, store coordination, new customer acquisitions, and sales results.

Annual Bonuses: The objective of bonus payments is to improve the efficiency of the executives to reach the corporate targets, ensure the sustainability of performance, distinguish successful executives by emphasizing individual performance, and reward the executives who create added value for the Company. Bonuses are

paid in the EBITDA target set for the calendar year and approved by the Board of Directors is exceeded and in proportion to the extent that individual executives meet their own KPIs. Some of the top executive level KPIs include net indebtedness, opex management, inventory turnover, sell-through and mark-down ratios, new customer acquisition, new store ROI and ramp-up management, and capex management.

Long-term Incentives: The Board of Directors may grant executives with administrative responsibilities a performance-based long term incentive by taking into account the net profit and share price targets set for a period of three (3) years (“Incentive Period”) in accordance with the principles defined by the Board itself.

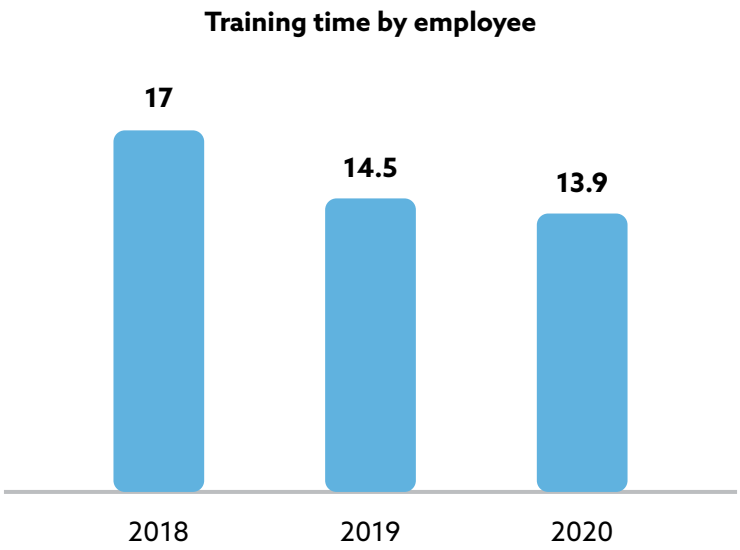
Employee Development

Mavi’s leadership in the industry is driven by its strong human resource that keeps pace with change and innovations and continually helps the company move forward. Accordingly, Mavi offers its employees a variety of learning and development opportunities to improve their skills throughout their careers.

Mavi’s approach to in-house training has evolved from basic to personalized and targeted training programs. Since 2015, workshops consisting of 24 Go groups are organized.

Mavi identifies the requirements for its training and development programs by conducting needs analyses via one-to-one interviews with all department managers. Using the results of these interviews in line with the Mavi Competency Model, individual development plans consisting of professional, technical, and personal development training modules are conceived for all employees. Furthermore, Mavi provides its employees with opportunities to attend conferences, seminars and summits on a range of subjects in Turkey and abroad. Employees are also offered foreign language support.

In 2020, total training time was nearly 57,000 hours, with an average of 13.9 hours of training per employee.



Digital Transformation Project

The company develops various tools to leverage resources in training programs. For instance, a Digital Training Library was compiled, video training programs were created, and online Manager Development Programs were designed.

Development of Head Office Employees

Head office employees are provided with training opportunities for professional, technical, and personal development and supported by classroom trainings while participation in events such as summits, seminars, and conferences is planned and encouraged. The training programs, which are planned for individual development based on basic and functional competencies, help to understand the behaviors expected of the employee, display the behaviors required for the role and prepare for the next role. In 2020, **457 head office employees took 2525 hours** of training.

Newly recruited employees take orientation programs to become familiar with corporate culture, the company's operations, organizational structure, and practices so that they can adapt more easily to their new responsibilities.

Mavi has prepared a Development Handbook for all competency levels defined in the Mavi Competency Model, which includes developmental activities that the employees can apply at work and in their free time. This handbook promotes behavioral change through activities that support various aspects in both professional and personal life.

Leadership Development Model with the MaviKampüs Program

The company's MaviKampüs program was launched in 2016 to support the personal and professional development of the managers that will drive Mavi's strategic goals further. The program carried out in partnership with Koç University is based on Mavi's leadership development model and strategic priorities and enables the managers to build awareness about their personal development areas and develop their leadership and managerial skills.

Mentoring Program

Mavi has launched a mentoring program to build on its corporate culture and to pass on knowledge and experiences to new generation employees. The mentoring program offers personal and professional development opportunities through interaction between the mentor and mentee and aims to support the employees' personal growth and deepen their loyalty to the company.

In the program's fifth term that started in 2020, 32 mentees and 28 mentors took the training; however, only 11 mentees and 10 mentors were able to complete the schedule due to the pandemic.

Technology and Product Development Training Program

Mavi partnered with Istanbul Technical University to organize a training program to enhance the technical knowledge of the design and product development teams. 29 employees participated in the fabrication module, 26 in the color module, and 22 in the fiber, yarn, and sustainable fiber training programs.

Turkey Sales Group Development Center Practice

The Development Center Practice was launched to develop the Mavi Turkey Sales team and to support the managers' leadership skills. With this activity, the competencies of the sales group were evaluated based on the sales-specific criteria of the Mavi Competency Model. The plan for 2021 is to design personalized development roadmaps. To date, 12 people have participated in the practice.

Regional Manager Development Program

The objective of this program is to elevate the current performance level of the employees and to identify the strengths and development areas based on the competencies that they should possess while performing their jobs and their individual competencies. In 2020, 24 employees participated in the program.

On to the Field

The "On to the Field" movement launched with the vision of "Happiest Mavi customers" continued and head office employees were taken to stores in Istanbul, Ankara, and Moscow. 32 employees from different departments and positions volunteered to participate in this movement, which aims to reinforce the relationship and communication between the head office and the field and served in different store positions for a day under the leadership of the Store Manager. With this project, volunteering employees not only supported the stores on a busy day but also found the opportunity to see how their work reflected on the field and to identify development areas in the processes by directly engaging with Mavi customers.

Go Mavi Culture

With Go Mavi culture, which aims for continuous progress and development at Mavi, various working and project groups are created with employees, and extensive monthly, annual and seasonal meetings are organized to encourage employee participation in management.

These include:

- **MassMavi meetings:** Open to all head office employees, these meetings provide a platform for departments to share their monthly business plans.
- **Management Forum meetings:** The company's activities over the previous six months are presented at these biannual meetings, open to all head office employees.
- **Marketing Direction meetings:** These are seasonal meetings where brand strategy and priorities are evaluated together with customer, market, product, and competition analyses and results are shared with the management teams, particularly the sales and category departments.
- **Go Mavi:** This refers to the working/project groups that consist of a multidisciplinary team with members from all functions within the company including mid-level and senior managers in line with the Go Mavi culture, which aims to achieve continuous progress and improvement at Mavi. These working groups convene at the GoForward meeting held at the beginning of each year to determine Mavi's priorities and goals and continue to work in coordination with the teams to meet the set targets
- **Field Strategy and Goal Meetings:** Outdoor meetings for store managers and assistant store managers. Through presentations by directors about the company's strategies, common goals are set and a common culture is built across Mavi.

Even though many of the routine meetings with wide participation could not be held due to COVID-19, frequency of online MassMavi meetings was increased to maintain continued communication with the employees in 2020.



Adding variety to work life with GoSocial

Mavi organizes a range of arts and sports activities to reinforce the sense of belonging and team spirit among its employees and to contribute to their social life. The social clubs established under the GoSocial umbrella include yoga, photography, sailing, painting, handcrafts, and rowing clubs. The employees also represent Mavi at various intercompany tournaments such as basketball, running, bowling and tennis through the year. In 2020, club activities could not be effectively carried out due to the pandemic; however, yoga classes continued online to keep the employees healthy and fit. The traditional New Year's Eve party also took place online.

Development of Store Employees

Creating the "Happiest Mavi Customers" is the foremost priority of the field teams. An intensive training program is delivered throughout the year to ensure that store employees provide world-class service to Mavi customers. In 2020, the digital infrastructure was reinforced and the frequency of training programs and communications increased as the share of digital content in trainings tripled year on year.

General Training Programs for Store Managers

Orientation Training: In total, 36 store managers and deputy store managers, recently recruited or newly promoted, took orientation training.

Classroom Training: 338 store managers and deputy store managers took 1,648 person*hours of classroom leadership training in total in topics such as "Main Responsibilities of a Store Manager", "Experience Workshop", and "Team Management and Development".

On-the-job Training: 345 store managers and deputy store managers took 3,501 person*hours of on-the-job training in total.

Digital Training: 347 store managers and deputy store managers were assigned total 2,038 person*hours of training on the digital training and communication platform Mavi Connect.

Leadership Development Training: Designed to develop leadership skills for manager and higher level positions, these professional and technical trainings cover specific topics required for each function.

Store Manager Development Program

The Store Manager Development Program offers store managers an opportunity to develop their knowledge, skills and competencies in leadership and technical topics in line with Mavi's strategic priorities. The program consists of 11 modules, including eight main and three intermediate modules, and a graduation project. The training program is planned with the relevant departments to deliver one module every month. The main modules cover technical subjects related to key responsibilities while the intermediate modules focus on topics to develop behavioral skills. Each training period ends with a test the following month to measure technical knowledge about the relevant module. Test results and assessment data make up the scorecard of the store managers. Once all the modules are completed, store managers prepare a project on a topic assigned to them and present it to the selection committee. In 2020, 9 employees participated in the program.

Store Mentoring Program

The objective of the Store Mentoring Program is to enable Mavi Store Managers to pass on Mavi’s corporate culture and their knowledge and experiences to new generation employees and to support their leadership and personal development. Once the current sales management team internalizes the process, the next goal is to spread the mentoring program across the stores. In 2020, 12 mentors including the management team in manager and higher positions and 31 mentees including store manager, regional manager and sales manager participated in this program.

Store manager/Maviolog/sales rep/cashier/warehouse employee training programs

Orientation Training: 236 newly hired store employees in positions other than store manager and deputy store manager took 1,573 person*hours of orientation training in total.

Classroom Training: 1,850 employees took 5,650 person*hours of classroom training in total in topics such as Being a Mavi employee, Customer Relations Management, Handling Customer Complaints, and KVKK, etc.

On-the-job Training: A total of 1,850 field employees took 15,405 person*hours of on-the-job training in topics, 7 Steps of Sales Modules, Persuasion, Upselling, Handling Customer Objections, and Customer Psychology, etc.

Digital Training: 2,810 store employees were assigned total 15,446 person*hours of digital training.

Mavi strategy and goal meetings

Every year, store managers attend three-day sales meetings where the directors share the company strategy in presentations to build on joint goals and culture of Mavi. In 2020, these meetings were not organized due to the pandemic.

Maviolog

The job of a Maviolog is to enhance the product knowledge of the teammates in the store where they serve, to ensure every customer leaves the store with the right product and combination, and to create an excellent shopping experience for the customer. The Company selects the employees to serve as Maviologs very carefully, trains them specifically to provide customers with product and style advice that is in line with Mavi’s identity as a denim specialist and fashion brand. As part of the program running since 2012, the number of Maviolog employees working at Mavi stands at 208 as of year-end 2020.

Digital training content has been added to improve the styling skills of Maviolog employees, to ensure that they recommend the right product to the right customer by helping them understand the customer’s style, suggest products based on different body types, recognize the language of colors and offer practical style combinations. Three apps, in the concepts “What To Recommend Today,” “Grab and Go” and “Where Are We Going?”, were introduced to reinforce theory with practice.

Secret customer surveys and field development

Secret customer surveys are conducted 12 times a year to assess the performance of the field teams and the results are regularly monitored by the sales, marketing, training, and HR teams. In 2020, field visits could not take place in the second half of March, April, May and December, and in January 2021 due to the pandemic. In 2020, 2,934 visits were carried out across more than 380 stores in 68 cities. In all the visits, NPS scores were measured in objective and subjective standards. These results are also used to identify development areas and

stores that have room for improvement, and trainings are planned accordingly.

Employee Engagement

Mavi developed a suggestion system to encourage the active participation of the employees in the decision mechanisms and to benefit from innovative ideas. All the suggestions submitted to the suggestion/comment section of the Maviletisim platform are collected and evaluated systematically. The field team can also submit their suggestions and complaints via the “Jean Fikir” (Jean-ious”) section on the Mavi Connect app.

Healthy and Safe Working Environment

Mavi’s top priority is to create and provide a secure, healthy and peaceful workplace that complies with environment and occupational health and safety practices. Therefore, activities are designed to foster a culture of occupational health and safety beyond legal requirements and the process is managed with a systematic and proactive approach. The Occupational Health and Safety Committee is tasked with ensuring that occupational health and safety practices are implemented. This committee manages OHS-related processes including regular review of the occupational health and safety practices, recommends improvements and enhancements, and ensures regulatory compliance. The senior executive responsible for occupational health and safety is the Chief Human Resources Officer (CHRO), who reports directly to the CEO.

Risk analyses are conducted and emergency action plans are made by occupational health and safety specialists at the head office and stores, and preventive measures are implemented based on the findings. Occupational health and safety performance is regularly monitored. No workplace fatality has occurred at Mavi with only some minor incidents reported.

Occupational Health and Safety Performance	2018	2019	2020
Injury rate (IR)*	0.68	0.73	0.88
Occupational disease rate (ODR)	0.00	0,00	0.00
Lost day rate (LDR) **	1.06	0.65	1.30

* Injury Rate is calculated using the formula (Number of Accidents x 200,000) / Annual Total Working Hours.
** Lost Day Rate is calculated using the formula of Absenteeism due to Injury / Annual Total Work x 200,000.

During the recruitment process, employees are asked to provide health information and health reports confirming suitability for the job. Workplace physician and occupational health and safety specialist are available to provide assistance to employees when needed. Employees in management and higher positions are entitled to private health insurance at the time they start their jobs while all employees located at the headquarters, store managers, deputy managers and assistant managers earn this right six months into their jobs.

Training sessions are held to reinforce and raise occupational health and safety awareness. Training content also includes information on occupational health issues such as back pain, lumbar and neck disorders. Accordingly, head office and store employees received total 4,984 person*hours of OHS training, averaging 8 hours per person while employees of the subcontractors took 4,524 person*hours of training. The training sessions are repeated at regular intervals.

To enhance workplace ergonomics, various practices are implemented to improve lighting and indoor air quality, optimize noise, humidity and heat levels and upgrade equipment.



Pandemic Practices

Working model, social distancing, and hygiene measures

As always, Mavi maintained its **"People First"** approach during the pandemic. In the early days of the outbreak, a Pandemic Board was formed with members from different departments and a professor, specialized in this field. A very detailed plan covering the measures was prepared and shared with all the employees. To protect the health of its employees, customers and business partners, Mavi temporarily halted the operations in all the stores in March and switched to a remote working model for the head office employees.

With all hygiene and social distancing measures implemented over two months, all the stores were reopened in June while the head office moved to a shift system. In this new period, the teams returned to the office taking turns (working at the office for a week and from home for a week) in line with the social distancing rules, keeping the number of people limited based on their workload. With this practice, the number of people working at the office was halved. Pregnant women, mothers with children under 12, employees living with people over 65, employees with chronic illnesses or physical disabilities continued to work from home. In the stores, shift plans and hours were rescheduled according to the social distancing distance rules by considering the maximum visitor capacities. Store opening and closing hours were set according to the restrictions.

Mavi also made use of the latest technological solutions to ensure the safest and most hygienic work environment. In addition to conventional hygiene measures, offices and stores were disinfected periodically with next-generation Nano Technological Antimic System, an antiviral, antibacterial, and environment-friendly process used especially in hospitals. The same technology was also applied to ventilation systems to clean the air continually. The disinfection mats coated with the Antimic system were placed at the entrance of the office building and the street stores to prevent the transmission of viruses by shoes. Hand sanitizers were placed in all common areas.

All employees were provided with face masks, and when needed, face shields and gloves. Temperatures of all employees entering the main building were scanned with thermal cameras. Anyone showing a fever of 38°C or more was directed away from other employees and the work environment and taken to the Isolation Room where the workplace physician/workplace nurse decided on the next actions.

As part of the social distancing and hygiene measures, changes were made in the layouts of the offices and the stores. Transparent shields were placed between all the adjacent desks in the office and the reception desk as well as in front of the cash registers to maintain social distance. All the windows at the head office were modified to let in fresh air and effective air purifiers were installed in the common areas. All the doors in the office were replaced with contactless photocell versions and a contactless card pass system was installed at the building entrance to minimize contact.

The maximum number of visitors that the stores could accommodate at a time were designated according to the World Health Organization's guidelines for social distancing of minimum two meters. Store staff responsible for hygiene were positioned at store entrances to limit entry above capacity. At the cashier's desk, transparent shields were placed between the cashier and the customer and the cash registers were spaced more widely to ensure social distancing.

The capacities of the meeting rooms were redefined according to the social distancing rules. If attendance in person was required, the meetings were held with only the maximum number of people allowed. Meetings were taken to the digital platforms.



The rules and layouts of the dining room and the cafeteria at the head office were redesigned. The dining room was used alternately by the teams at designated times. Breakfast Boxes/Lunch Boxes, prepared and packaged in the building were served for breakfast and lunch to minimize contact.

Meanwhile, the personnel shuttles and transportation rules were rearranged to allow for social distancing measures in the new period. More vehicles were added to the personnel shuttle system where needed. Hand sanitizers were placed in each personnel shuttle bus, which also required everyone to wear face masks. The use of all company vehicles was limited to maximum two people at a time, with only the driver and a single passenger in the rear seat. All the vehicles were frequently disinfected.

Continuous Communication

In 2020, many of the routine meetings with wide participation could not be held due to COVID-19. However, online MassMavi meetings were organized to ensure continued communication with the employees. To maintain strong communication as part of the brand culture, "Hello Mavi" emails were sent out every morning to encourage the employees to start the day with more motivation. The weekly "I love Mavi" emails aimed to help the employees spend their days in lockdown more efficiently. Maviletişim, the in-house communication portal, was refreshed with its user-friendly features and design, and a mobile app version. Furthermore, the Mavi Connect app enabled continuous communication with the store employees. During the pandemic, the Mavi Management Team met regularly every morning and action plans were updated based on the information exchanged between the Turkish and international offices.

Mavi also introduced an employee support program that the head office and store employees and their families could contact for psychological support 24/7. The objective of the employee support program was to assist Mavi employees and their families as they tried to deal with the negative effects of the pandemic. Furthermore, workshops were organized to help parents cope with the situations in this period.

Talent Attraction and Recruitment Strategy was taken to online platforms. The interviews and all orientation training programs were held online to protect the health of the candidates and the employees. Meanwhile, work on developing the employer brand further continued with collaborations with digital career platforms.

With our strategic manufacturing partner **ERAK**, compared to last year;

26%
LESS WATER

24%
LESS ENERGY

54%
OF TOTAL DENIM
PRODUCTION IS DONE WITH
LASER AND SUSTAINABLE
WASH TREATMENT

SUSTAINABLE VALUE CHAIN

Global developments such as the impact of climate change on natural resources and the increasing world population, along with the COVID-19 pandemic have rendered global supply chains more fragile. Ensuring production and distribution continuity and anticipating potential disruptions and price increases require companies to build strong relationships with their business partners and suppliers across the value chain.² Accordingly, providing the support needed to monitor and improve the environmental, social, and governance performances of all stakeholders in the value chain, from raw material sourcing and production to distribution and sales to ensure the sustainability of the textile and denim industry is a necessity.

Responsible sourcing strategies and actions play a key role in managing a sustainable value chain. With its All Blue strategy, Mavi continues to introduce innovative, comprehensive, and sustainable practices to monitor the social, environmental and economic performance of stakeholders across its entire supply chain. During the pandemic, Mavi implemented the necessary measures across the value chain, placing people at the heart of its business while ensuring production continuity. The company extended various means of support to its suppliers and business partners while focusing on improving the resilience of its supply chain to ensure that its suppliers could continue their business in these challenging times.

Sustainability in the Supply Chain

In all of its activities, Mavi aims to offer quality and innovative products by considering its environmental, social, and corporate governance (ESG) responsibilities. The company carries out relations with its suppliers in line with the [Code of Ethics for Suppliers](#) and Global Purchasing Principles. These guidelines are used as the basis for monitoring and ensuring that the ESG performance of the suppliers is in conformity with the Universal Declaration of Human Rights, the International Labor Organization (ILO), and the 10 Principles of the United Nations Global Compact (UNGC). Mavi only works with suppliers that meet the high standards defined for supply chain management and supports their continuous development.

The majority of Mavi's production takes place in Turkey and **nearly 80% of the suppliers are local manufacturers**. The company also supports the socio-economic development of the country by making 75% of its total payments to local suppliers.

Suppliers' Environmental Performance

Mavi focuses on more efficient energy and water use and reducing environmental impact both in its own operations and also across its supply chain. In addition to conducting inspections, the company also develops various projects, collaborations, and applications for this purpose. ERAK and TAYEKS, the two major suppliers of Mavi that account for nearly 75% of the denim have practices in place to improve energy efficiency and water use.

In 2020, ERAK consumed **26% less water and 24% less energy year-on-year while laser and sustainable washes and treatments accounted for 54% of denim production**, thanks to the upgraded machinery park. The heat, hot water and steam generated during the production process (especially in washing and drying machines) are reused in the facility, ensuring efficient energy use in production. Furthermore, 56% of the electricity that ERAK used in the last three years came from natural gas cogeneration.

² The State of Fashion 2021, McKinsey&Company and Business of Fashion (BoF)

All the chemicals that these two major suppliers use are ZDHC (Zero Discharge Hazardous Chemical) certified. These chemicals undergo tests and controls and are used only after approval. In line with international and local regulations, the companies work to minimize the employees' contact with these chemicals, and only safe chemicals that are not harmful to humans are preferred.

In addition to Mavi's two major suppliers, ERAK and TAYEKS, Rimaks is also a manufacturer with international Global Organic Textile Standard (GOTS) and Organic Content Standard (OCS) certifications. Overall, 24 suppliers have the capability to manufacture organic products.

Mavi also takes utmost care to keep the discharged water from production below the legal limits. Mechanical, chemical, and biological membrane treatment systems are used at the manufacturing sites. With the enhancements implemented, fewer chemicals, less water, and less energy are used in the processes. Starting with the All Blue collection, Mavi has shifted its focus toward the use of e-flow technology to reduce water consumption.

Social Compliance Audits

Mavi conducts social compliance assessments for all the new suppliers that join the supply chain and only works with those that pass these inspections. Mavi regards child labor and fire safety as crucial issues and does not work with suppliers that fail to comply with the related practices. Mavi also terminates its relationship with any existing supplier when such non-compliance is determined. In addition to the Code of Ethics for Suppliers and Global Purchasing Principles introduced in March 2017, field and documentation audits have been conducted with suppliers and their subcontractors in all production categories since June 2017. The Social Compliance Department positioned under the Quality Assurance Department conducts inspections to determine social compliance in suppliers. These inspections focus on identifying the extent that the suppliers apply and comply with restrictions and regulations in areas such as child labor, health, safety, and the environment, working hours and payments, forced labor, the right to association and collective bargaining, discrimination, discipline and management responsibility as required by international standards. Compliance with the Social Compliance Criteria established within the framework of ILO conventions, local legislation, and internationally accepted reporting standards (such as BSCI, SMETA, SA8000), including environmental criteria established under local legislation, management systems, operational efficiency, product safety, and risk assessment is verified by an integrated audit structure.

Due to pandemic restrictions, field inspections were carried out when possible. Before these audits could resume, Self-Assessment Forms covering the COVID-19 compliance criteria, and in particular the topics specified as critical in the audit procedure, were prepared and shared with all local and international suppliers and their subcontractors. The company has plans to prepare a more comprehensive self-assessment survey, including the sustainability criteria, and share it with all suppliers in the first half of 2021.

In 2020, before the pandemic restrictions were imposed and in July, 52 main audits and 21 follow-up audits were conducted and 21% of existing suppliers were inspected. Upon detecting critical non-compliance in 6 subcontractors during the main audit and 3 in the follow-up audit, production for Mavi was halted in these facilities. Furthermore, 100% of new suppliers were assessed for social compliance before starting production. Mavi prefers to work with suppliers who are members of the BSCI (Business Social Compliance Initiative) program or certified by members of Sedex (Supplier Ethical Data Exchange). ERAK, one of the two major producers of Mavi, holds BSCI certificate while the other, TAYEKS, has BSCI and Sedex certificates. The purpose of these certifications and audits is to minimize environmental impact by prioritizing the health and social security of the employees across all production processes. If the audits of institutions such as Sedex and BSCI are valid for at least one year and their results are positive, Mavi agrees to work with the suppliers. ERAK and TAYEKS are

also included in the Higg Index, developed by SAC (Sustainable Apparel Coalition), which provides the tools to measure the sustainability performance of a company or product.

During the audits, Mavi informs its suppliers frequently to improve their sustainability performance.

Product Quality and Assurance

Mavi aims to bring quality and safe products to its customers by ensuring the highest standards across its value chain. The quality control team of experts under the Global Purchasing Directorate is responsible for product quality and assurance and conducts regular quality controls in all processes from production to distribution. The interim controls during production and final controls for the finished products are performed by Mavi's quality control team and accredited independent inspectors.

The companies in the supply chain are regularly inspected with quality measurements and scoring. This assurance process enables Mavi's suppliers to produce according to the specified quality and safety standards and procedures. The Mavi Manufacturer Handbook, where these standards are explained in procedures, is shared with the suppliers. These standards include Global Purchasing Principles, Fabric Performance Standards, Ecological and Physical Test Matrices, Audit Procedure, Error Definitions, Error Examples, and Measurement Guide.

Mavi tests every fabric, model, and options in international test laboratories and follows the world standards defined by global organizations to the letter. Mavi requires chemical analyses and quality performance tests from the manufacturers to check that the products are manufactured in the declared standards. The products, beginning at the sample stage are tested by third-party laboratories for levels of chemicals. Furthermore, raw materials are tested under the manufacturers' responsibility within the scope of EU legislation (REACH - Registration, Evaluation, Authorisation and Restriction of Chemicals) for other chemicals. The tests are conducted according to specified criteria by accredited laboratories, the results are evaluated, and only the approved products are shipped. Each item is tested and products that fail to conform are canceled and not purchased. Products with acceptable levels of fault can be allowed to undergo corrective work followed by commercial approval procedures.

At the sample stage, technical product refinements are carried out for fit, performance, and functionality. Mavi carefully evaluates customer feedback and aims for the highest product quality through the work of the product development and procurement teams and improvements made with manufacturers.

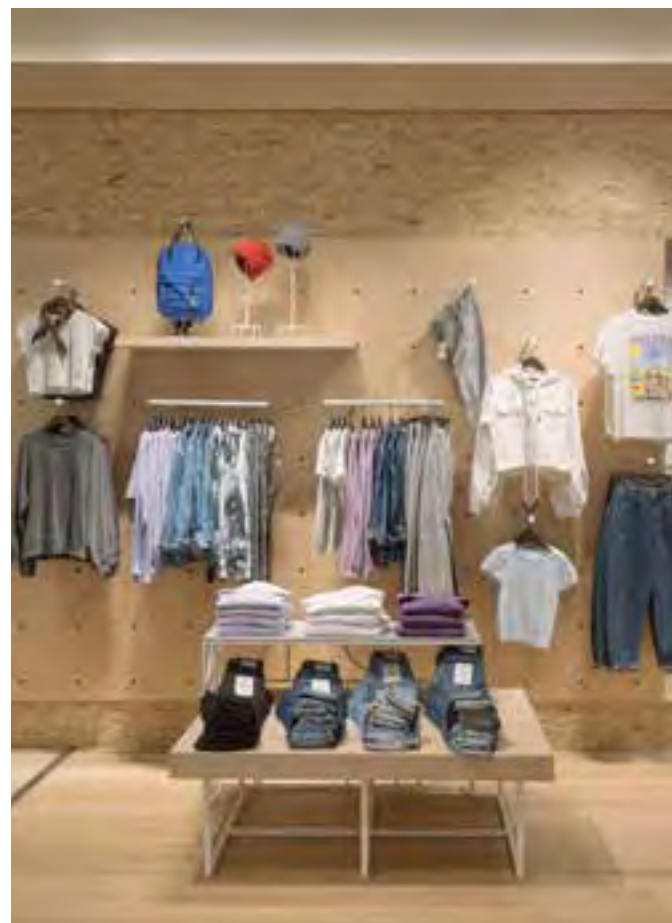
Environmental Performance in Operations

The majority of the impact that the apparel industry has on the environment is created in the raw material sourcing and textile production stages.³ However, the scale that the climate crisis, environmental pollution, and biodiversity loss reached calls for all to take action, regardless of their operational capacities. Mavi takes steps and develops projects and applications to improve its environmental performance related to water, waste, biodiversity, and in particular climate change. The company also complies with environmental laws and other applicable regulations and discloses its compliance efforts. Mavi's environmental investments and expenditures aim for effective management of natural resources and protection of biodiversity, with particular focus on the efforts to tackle climate change. The company's investments for these purposes amounted to TL 5.9 million in 2020.

³ Environmental impact of the textile and clothing industry, European Parliament, 2019



mavi
all blue



Climate Change and Resource Management

Carbon Emissions

With its global All Blue strategy built on 'sustainable growth through quality,' **Mavi became the first Turkish apparel brand to disclose its carbon footprint transparently.** The report that the company submitted to the **Climate Change Program**, run by **CDP (Carbon Disclosure Project)**, the global disclosure system, received a score of B in environmental performance. Based on the detailed analyses drawn from the report, Mavi also earned A- in the Supplier Engagement Rating (SER). This rating aims to enable companies to measure the impact of their suppliers on climate change. In 2020, in its first submission to the program, which is open to all publicly traded companies in Turkey and which stands out as one of the world's most trusted scoring methodologies, Mavi outperformed the global industry average in terms of both its CDP score and also the SER rating. Mavi's energy efficiency and renewable energy purchasing projects resulted in eliminating 2,573.31 tons of CO₂ emissions per year.

Renewable Energy and Energy Efficiency

Mavi takes significant steps toward purchasing renewable energy to reduce carbon emissions created through electricity consumption. The company signed a renewable energy purchasing agreement with Selenka Energy to use electricity from renewable sources where possible. As of January 2021, wind energy is used at the head office and 101 Mavi stores, where electricity meters are controlled by Mavi. Seven franchisees also voluntarily chose to source their energy from wind farms.

Reengen Systems

In 2019, Mavi partnered with Reengen, an IoT (Internet of Things) platform for integrated energy, to conduct an energy efficiency and management study in 10 pilot stores. Energy consumption was regularly monitored with energy analyzers placed in the stores and unnecessary energy consumption was identified. With the pilot study delivering positive results, the scope of the agreement was expanded in August 2020 to cover all Mavi stores. The alert system enabled the stores and the head office to prevent unnecessary energy consumption. In light of the data from the pilot study and the data provided by Reengen based on studies in similar industries, the energy consumption in the stores is anticipated to decrease by 8% with the deployment of alert devices and increased user awareness.

The installation of the Reengen system also made it possible to monitor the energy consumption patterns in the shopping mall stores that do not have electricity meters controlled by Mavi. Starting from 2021, full energy consumption data will be reported with actualized values.

Mavi Eco Store Concept

Aiming to reduce the environmental impact and in particular the carbon emissions of its stores, Mavi designed a sustainable store concept and opened its first eco store at the Zorlu Shopping Mall. The store, featuring an architectural design focused on consuming less energy and using less raw material, was built with materials with sustainability and greenhouse gas emission certifications.

Drawing from the efficiency results of this store, an eco-store, built with **30% less raw material**, consumes **25% less energy and 20% less water** than a standard Mavi store.



- Aisle systems were redesigned to reduce the total quantity of materials used in the construction of the eco-store. The new design features lacquered MDF panels, cabinet style product sections, raw OSB and natural coated walls instead of plaster primer and paint, as well as naturally painted cork wall tiles, and two-dimensional section and column systems.
- With a new, industrial ceiling design, many systems and materials used in the old store design were eliminated, reducing resource consumption. The ventilated air is released directly into the store through the open ceiling system, preventing capacity loss in the process. More efficient lighting fixtures resulted in reduced electricity consumption while the waste heat generated by the luminaires in the store also decreased.
- In the design process of the eco-store design, the life cycle assessment reports of the selected products, required to have international sustainability certifications, were studied and the locally produced options were prioritized.
 - The drywalls, paints, ceramic tiles on the floors of the fitting rooms, and the finishes of the cashier's desk have Greenguard Gold certification, which guarantees that the materials emit minimal volatile organic compounds not to harm human health.
 - The drywalls used in the store have an Environmental Product Declaration (EPD) document, which ensures that the environmental impact of the products is disclosed transparently according to international standards across the entire life cycle.
 - The wood-based wall coverings are FSC-certified (Forest Management Council), meaning that they are sourced from sustainable forestry products. The natural cork tiles on the section walls are also sustainable.
- While designing the eco-store, the materials already available in the store were considered for reuse as much as possible to eliminate the impact of procuring new materials. With this approach, the cashier's desk, the wood-based panels on the back wall of the cashier's desk, and the parquet flooring were reused, reducing waste generation and consumption of new resources.

People-focused Lighting and Its Effects Research

Mavi works to introduce more efficient and healthier lighting systems by utilizing LED lighting technologies in its stores. Accordingly, the Visual Architecture team developed a project to study how the lighting in the stores where employees and customers spend long periods affects human health and performance. With the project, launched in response to the call for "On-Demand R&D" as part of TÜBİTAK-TEYDEB's Innovation Grant Program, the effects and interconnection of changes in light colors and luminous intensity with employee performance and customers' shopping behavior are studied. This helps Mavi save energy in luminaires through the use of automated lighting systems and LEDs in the stores. Mavi also aims to create a healthier and more comfortable shopping experience for its customers and a more efficient work environment for its employees while strengthening its industry leadership in this field.

THE ENVIRONMENTAL IMPACT THAT ONE PAIR OF TESS GOLD LUX MOVE JEANS CREATES DURING PRODUCTION

(excluding the logistics, sales and customer effects)

Climate Change
(Carbon Footprint)
7.64 kg CO₂ eq.

30km driven by
an average car.

Water Consumption
861 litres

Water use of an
average person in
Turkey for 3.8 Days.

Land Use
3 m²/year

Two people holding
hands together
would make one side
of a square this size



Eutrophication
0.0132kg PO₄ eq.

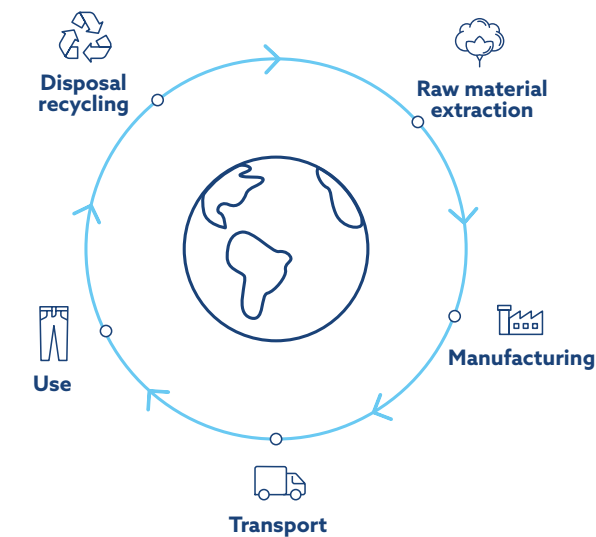
Acidification
32.3g SO₂ eq.

**Ozone Layer
Depletion**
8.69 x 10⁻⁷ CFC-11 eq.

**Photochemical
Oxidation**
1.5g C₂H₄ eq.

Life Cycle Assessment

In 2020, Mavi started Life Cycle Assessment (LCA) studies to identify the environmental impact of its denim products. Life cycle assessment involves calculating and reporting how a product, service, process, or activity affects the environment throughout its life using a specific methodology. This enables scientific calculation and reporting of the products' environmental impact across all the related production, shipping, consumer use, and waste disposal processes. This approach also facilitates the decision-making process by considering sustainability starting from the design stage of the product.



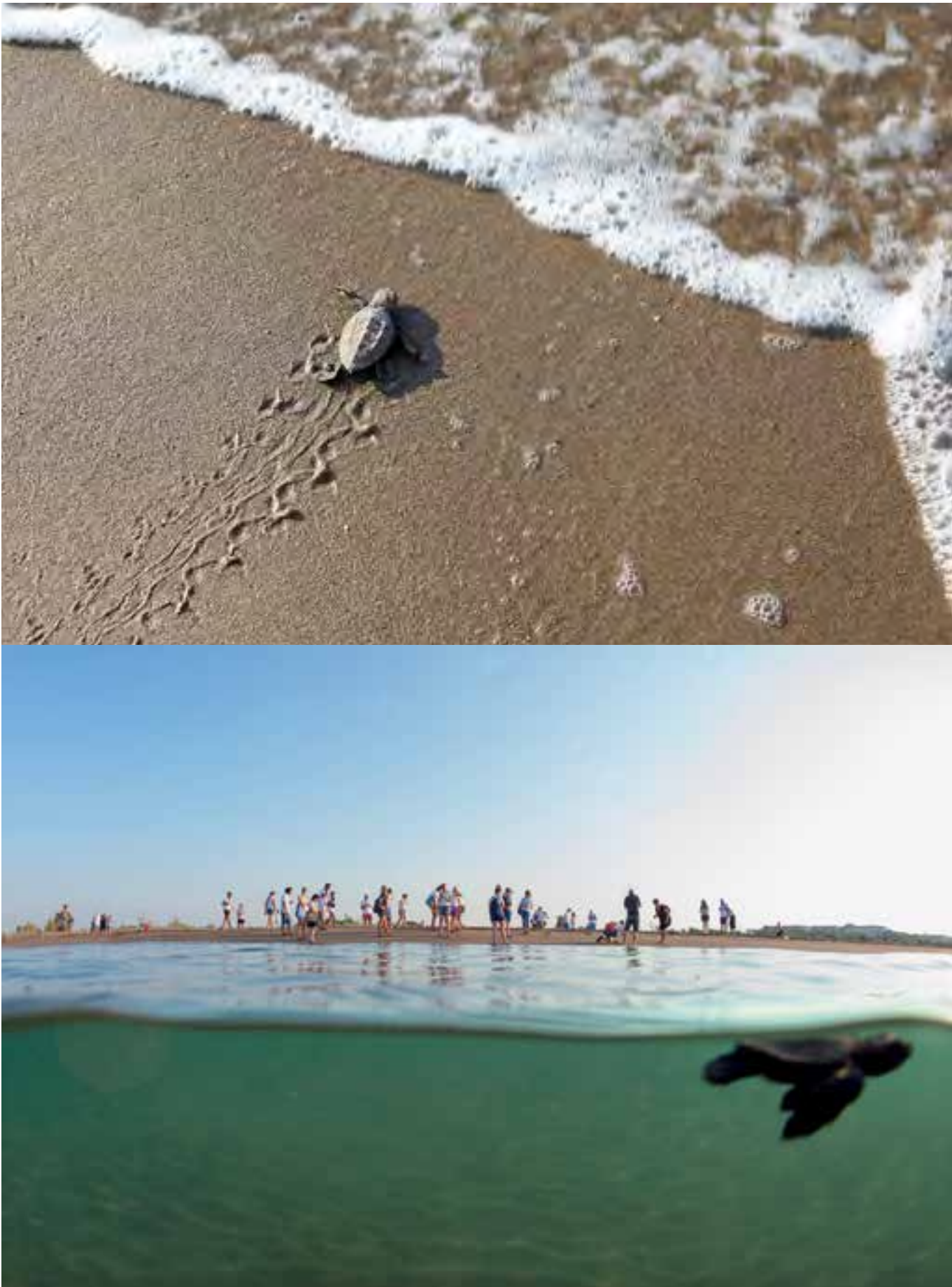
As a denim-centric lifestyle brand, Mavi prioritized denim products in the LCA studies. The fabrics used in the denim orders of 2019 were analyzed in detail and 50 fabrics that constitute more than 50% of the fabric consumption were identified. Then, 12 domestic and international suppliers that produced these 50 fabrics were contacted to obtain their data and to build life cycle inventories. Next, 70 products that best represent these fabrics were identified and the life cycle inventory of these products was created on the garment side in collaboration with ERAK, Mavi's strategic business partner that supplies 70% of the denim production.

Using information compiled in the inventory information, the environmental effects, including Global Warming Potential (Carbon Footprint), Eutrophication, Acidification, Ozone Layer Depletion, Photochemical Oxidation, Cumulative Energy Demand, and Water Consumption during the manufacturing production processes of 42 selected Mavi products were calculated. The environmental effects that can be analyzed in detail, drilled down to production stages, provided direction to the denim design and P&D teams to consider reducing environmental impact in their decision-making processes. This inventory will enable Mavi to compare the environmental impact of fabric suppliers and their different fabrics and to make purchasing decisions with more consideration for sustainability. As the LCA studies continue with the non-denim hero product groups in the next stage, Mavi aims to expand the product scope.

Waste Management

In 2020, Mavi's operations generated 2,417 tons of non-hazardous waste and 17% of this waste was delivered to recycling while 10% was burned for energy recovery.

In logistics, 65% of the boxes that manufacturers use for delivery of Mavi products are reused. All packaging waste is delivered to licensed waste collectors for recycling. Since December 2020, intermodal transportation is preferred for land transportation to Mavi Germany, achieving more fuel efficiency in product shipments.



Biodiversity

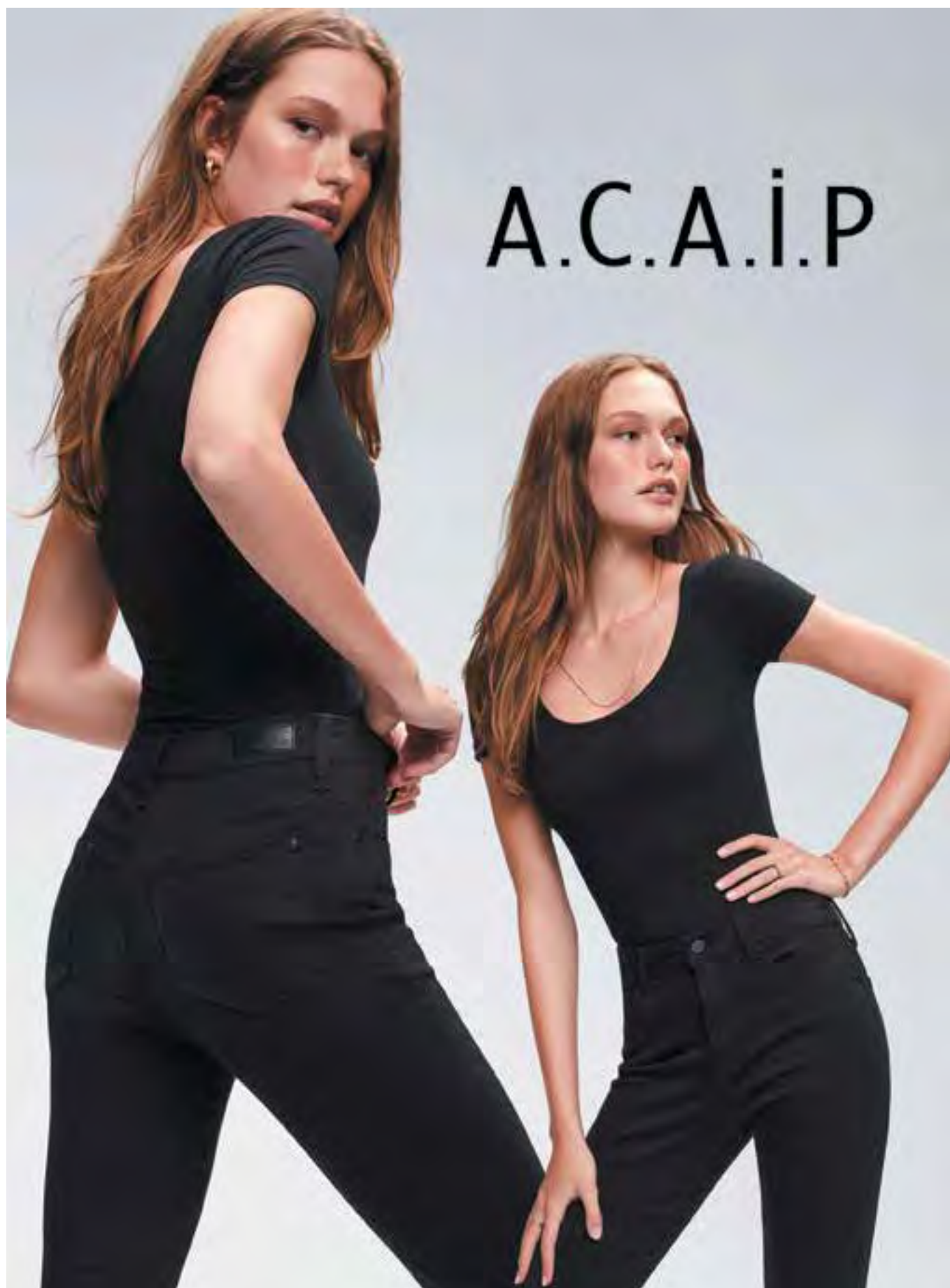
The population sizes of mammals, birds, amphibians, reptiles, and fish have shown an average 68% decrease in the last 50 years.⁴ Meanwhile, the increasing urbanization, deforestation, and changing consumer habits are impacting natural life more than ever. This interaction with nature became more apparent during the COVID-19 pandemic. The effects of humans and human-related activities on biodiversity should be studied and programs and projects should be developed to protect the species in their natural habitats if we want to prevent future pandemics and stop the endangered species from extinction.

Indigo Turtles Project

As a Mediterranean fashion brand, Mavi has supported the activities of the Ecological Research Society (EKAD) with the Indigo Turtles project since 2014, helping to protect the endangered sea turtles. The aim of the project, which raises awareness about biodiversity, is to protect and ensure continuity of the *Caretta caretta* and *Chelonia Mydas*, two species of sea turtles native to the Mediterranean for 110 million years. EKAD, which focuses its activities on Belek, the largest nesting area in the Mediterranean, has helped over 800 thousand *Caretta caretta* make it to the sea in the last 21 years. The number of nests, which was only 500, when the activities started in the region has reached 3,200 levels last year. Facing many difficulties, only 40% of hatchling turtles reach the water and only one in a thousand survives. This is why the Indigo Turtles project raises awareness about supporting the survival efforts of the sea turtles and the importance of volunteering. Hundreds of university volunteers join the Indigo Turtles project and camp on the 30km-long beaches for four months, working tirelessly under the scorching sun every day to protect the mature female turtles' eggs from external factors and help hatchlings climbing out of their nests to reach the water. Along with hundreds of university volunteers from Turkey and around the world, customers, scholars, social media followers, brand ambassadors, and employees of Mavi also join the project voluntarily. To date, 120 people from Mavi including directors, managers, and employees have joined the project while 41 people from social media followers, customers, and women scholars have supported the works of EKAD every year in the June-September period. Since the launch of the project, each customer that purchased an Indigo Turtles T-shirt adopted five sea turtles and contributed to the efforts. The T-shirts, designed for all customer groups, are sold in Turkey as well as online stores in the US, Canada, and Germany. Every year, thousands of Mavi customers become voluntary ambassadors of the project with their T-shirts. Mavi has played an effective role in raising awareness about the project and contributed to increasing the number of applications to volunteer every year. In 2020, only university students could volunteer for the program due to the COVID-19 pandemic restrictions.

Scientific data on sea turtles	2014	2015	2016	2017	2018	2019	2020
Number of nests	1,998	2,111	2,478	2,283	2,069	2,165	3,191
Number of adult turtle eggs	149,850	151,992	183,372	157,527	144,830	155,880	232,943
Number of hatchlings	75,824	75,540	106,172	81,284	79,512	77,472	130,914
Number of hatchlings that reach the sea	56,643	64,901	92,236	69,942	63,291	66,561	114,375

⁴ Living Planer Report, WWF, 2020



R&D AND INNOVATION

Innovations emerging in the fashion industry in response to sustainability trends present investment opportunities as well. Sustainability is at the top of the fashion industry's agenda. As the industry seeks to understand how it will transform to achieve a sustainable operating model, disruptive innovation in the form of new materials, processes, technologies, and business models can be an answer.⁵

Turkey maintains an unrivalled position worldwide in terms of R&D investments, innovation and technology development in denim fabric and blue jeans manufacturing, providing Mavi with significant advantages to lead the industry. The brand combines its denim expertise with the product development team, optimally leveraging the country's high quality supply ecosystem. Being a denim innovator has made Mavi a force to contend with in setting quality and price.

For Mavi's design and product teams, accurate interpretation of fashion trends for the brand and the customer with their technical expertise is a key priority. Empowered by R&D and innovation to maintain its leading and expert brand identity in the denim market, the company leverages the latest technology fabrics and production techniques to respond to the evolving customer needs. To ensure the softness, comfort and wearability that Mavi aims to deliver to the customer, R&D activities focus on detailed fabric research, product trials and wearability tests together with suppliers. Aiming to combine the selected fabrics with Mavi's perfect fits, special size tables are developed and applied to the patterns to make sure that each fabric is utilized with the best look and feel. Mavi also minimizes its environmental impact with innovative methods by reducing the water and chemicals used in production while continuing to add more sustainable products to its collection through product development efforts.

Mavi adopts an innovative approach and values the importance of R&D investments, engaging in industry-leading activities with its qualified human resources. The budget allocated for R&D in 2020 corresponded to 1.4% of the company's revenues. The sales of the sustainable products accounted for 5.21% of total revenues. So far, product life cycle (LCA)* analysis was conducted on 2.3% of all the denim products. R&D employees constitute 3% of the white-collar workforce.

[*For more information on LCA, please see the Life Cycle Assessment section.](#)

Developments in Mavi collections in 2020:

Mavi responds to the needs and expectations of its customers with different collections for individual product groups:

- Continued cooperation with **Lenzing** for **Tencel fabrics** used in the **Gold** collection. A soft and premium look is achieved with luxury fiber blends (Tencel, viscose, and modal, etc.).
- For the **A.C.A.I.P** style in the Fall-Winter 2020 and Spring-Summer 2021 collections, a special elasticated waistline was designed and a denim fabric was developed for a perfect fit and comfortable wear for all sizes.
- The **Mavi Black Pro** collection featured techno-reflective details, bringing a trendy, young, and comfortable look to menswear.

⁵ Unlocking Investment to Scale Innovation in Fashion, BCG, 2020



- **The Legendary Jean Series** featured styles such as **KRMZBYZ**, with modernized tapes, **KVNÇ**, with a new printing technique, and **TOKK**, with a true denim look and wear.
- **Street ICON Women's Denim Series** brought a new twist to the denim world with exclusive fabric finishes and washes, accessories developed with new techniques, and the latest highlights of street fashion.

All Blue: Mavi's Most Sustainable Collection Ever

No filter, all vegan, less water, much love!

Mavi's All Blue collection also reflects the company's sustainable production and marketing strategy. With the global All Blue strategy built on sustainable growth through quality, Mavi focuses on people, nature, innovation, digitalization, and efficiency as key values to drive the brand forward. The collection that reflects Mavi's love of nature also serves to inspire sustainability awareness among the consumers. Recycled cotton, organic cotton, and upcycled materials are used in all denim pieces in the collection, which is produced with efficient washing methods that consume less water. The denim products developed with sustainable methods feature all-vegan materials and the labels are made from recycled paper.

Mavi collaborated with its strategic partners ERAK and Taypa to use the E-flow technology to reduce water, energy, and chemicals consumption, laser technology that guarantees product standards, reduces the use of chemicals and protects the health of the employees, and an automated dosing system that eliminates faulty and excessive use of chemicals in washing due to manual processes.

Sustainable product focus in 2020

- The objective is to develop environment-friendly products for Mavi and to expand the sustainable product collection every year.
- In Fall 2020, **the All Blue denim collection doubled** in scope and variety, reaching Mavi customers worldwide.
- Increased use of recycled and organic raw materials in fabrications (Two upcycled products derived from waste fabrics were offered to the customers in the Spring – Summer 2020)
- Reduced use of water, energy, and chemicals in fabrics, washing processes and accessories.
- Tencel, the ecofriendly fiber, is used more in the collections.
- Increased use of laser in distressed and worn treatments (54%, up 2% compared to 2019).
- All-vegan products.
- All the woven labels inside the waistlines of the All Blue collection pieces are made of minimum 60% and maximum 65% recycled yarn.
- Paper label suppliers with FSC certification are preferred.
- For paper materials on the product, 50% recycled and recyclable paper is used on average.
- The jacron back patches are made from FSC-certified raw materials.



- For the Fall/Winter 2020 and Spring/Summer 2021 collections, the number of samples for global markets was reduced by 18%, resulting in more efficiency in the collection preparation stage.

University Collaboration for Sustainable Fashion

Mavi teamed up with Marmara University's Textile Engineering Department in 2020 to create a sustainable and environment-friendly product line colored with dyes containing natural raw materials. The objective of the project titled, Sustainable Approaches To Coloring Knit Finishes For Non-Denim Product Groups, is to design products that align with sustainable fashion design and have low impact on environmental pollution.

Coca-Cola Turkey X Mavi Recycled Collection

Coca-Cola and Mavi partnered for a collaborative collection to contribute to a better future. The bottles collected as part of the Kollekt initiative, launched as a pilot project in Kemer in cooperation with the Coca-Cola Foundation, Nature Conservation Center (DKM), and the United Nations Development Program (UNDP) to promote recycling through community engagement, found new life in the Coca-Cola X Mavi Collection. Featuring nine different T-shirts with various messages for respecting nature, the collection is made from recycled PET, cotton or 100% organic cotton.

Nature-Friendly Products

Mavi's "Nature-Friendly" collection features pieces made from eco-friendly cotton, organic cotton, and recycled yarn to protect soil, energy, and water resources. Featuring graphics that draw attention to environmental responsibility, this exclusive line continues to expand each season.



CUSTOMER SATISFACTION AND COMMUNICATION

One of Mavi's top priorities is creating the **"Happiest Mavi Customers"**. Aiming to spread this approach that places customer happiness at its heart across the field, Mavi established a special project group, GoCustomer. Employees from the marketing, HR, sales, and training departments actively participate in this group, which works throughout the year to deliver an excellent shopping experience to the customer with premium products and service quality.

Responding to the evolving needs and expectations of the consumers creates a significant competitive advantage. Companies that focus their skills and assets from human resources to data-driven tools on understanding the changing consumer behaviors are able to adapt to the evolving conditions faster.⁶ Mavi captures the rapidly changing dynamics of the fashion industry without compromising quality and brand reputation in the eyes of the customer and continues to create the Happiest Mavi Customers. In 2020, Mavi was recognized with the gold award winner in the apparel category at the ACE (Achievement in Customer Excellence) Awards.

Mavi customers are able to provide feedback about products or services and communicate their thoughts and ideas about Mavi and all kinds of recommendations to the Company by phone, email, social media channels and stores. Mavi made a major organizational change in November 2019 and signed an agreement with Global Bilgi to outsource its call center operations, which were managed in-house until then. In this new system, the customer relations teams continue to provide service at the head office while Global Bilgi formed a dedicated team of 26 at its Bursa location to serve only Mavi. With the new structure that integrates the customer call center processes in stores and e-commerce, Mavi is now able to serve its customers from 8 am to 12 am seven days a week. The call center team manages the flow of communications and responds to customers by taking the necessary actions.

In 2020, 89% of the complaints communicated to Mavi were resolved. According to the surveys conducted with Mavi through the call center, customer satisfaction was 91.79% as of year-end 2020.

At Mavi, customer relations are managed according to the EN 15838-Requirements for Service Provision for Customer Contact Centres and ISO 10002 Customer Satisfaction Management System. The sales representatives and managers at Mavi stores received 16,111 hours of customer relations training, which included topics such as Customer Psychology, Handling Customer Objections, Happiest Mavi Customer, Seamless Shopping Experience, Customer Relationship Management, and Next-Generation Customer Experience. The company has in place a returns and exchange procedure, which defines the rules that all stores should follow.

Services are procured from a third-party firm to monitor all customer posts and engagements on social media about Mavi. With this service, the company gains valuable insights about Mavi and responds swiftly to the issues that require action. Over 90% of the content shared and the conversations on social media regarding Mavi are positive.

⁶ Fashion's Big Reset, BCG, 2020

Mavi conducts regular surveys to collect information on the brand's impression among customers and consumers' shopping habits in relation to the Mavi brand, products and ad campaigns. The secret customer surveys at Mavi stores and franchisees enable inspection of every single sales point, monitoring and reporting on their service quality. Net Promoter Score (NPS) is monitored with secret customer surveys. In 2020, the NPS score was 41.6 according to the results of the secret customer survey, performing above industry average.

The [Information Security Policy](#) defines the actions required for implementing, running, monitoring, reviewing, maintaining and enhancing information security. Customers can access the Privacy Notice for Protection of Personal Data at the stores, on the [website](#), the Mavi mobile app, or via the call center at all times.

The customer loyalty program Kartuş, launched in 2007 and recognized as the industry's most advanced version in its class reached 8.1 million members. Please see the [Customer Loyalty Program: Kartuş](#) section for more information.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK

(Capital Markets Board of Turkey Communiqué No II-17.1.a)

Principle Type	Principle Code	Principle No.	Principle Description	Page Number and/or Link	Compliance	Description (if required)
A.General						
A.GENERAL	A1. Strategy, Policy and Targets	1	The Board of Directors determines material ESG issues, risks and opportunities and creates appropriate ESG policies. For effective implementation of these policies, internal directives and business procedures, etc. can be prepared for the company. The Board of Directors decides on these policies and discloses them publicly.	Duties and Working Principles of the Sustainability Committee	Full Compliance	
	A1. Strategy, Policy and Targets	2	Determines the Company Strategy in accordance with ESG policies, risks, and opportunities. Determines short- and long-term goals in line with the Company strategy and ESG policies and discloses them publicly.	Annual Report, Sustainability Approach, page 75 Duties and Working Principles of the Sustainability Committee	Partial Compliance	Mavi commits to complete the work related to ESG strategy and goals in 2021 and disclosing short-, mid- and long-term goals.
	A2. Implementation/ Monitoring	3	Determines the committees/units responsible for implementing and executing ESG policies and discloses them publicly. The responsible committee/unit reports the activities in line with policies to the Board of Directors at least once a year and in any case within the maximum periods defined in the applicable regulations of the Board for the public disclosure of annual reports.	Duties and Working Principles of the Sustainability Committee	Full Compliance	
	A2. Implementation/ Monitoring	4	Creates and publicly discloses implementation and action plans in accordance with the short- and long-term goals.	Annual Report, Sustainability Approach, page 75 Duties and Working Principles of the Sustainability Committee	Partial Compliance	Mavi commits to disclose its short-, mid- and long-term ESG goals in 2021.
	A2. Implementation/ Monitoring	5	Determines Key ESG Performance Indicators (KPIs) and discloses them with yearly comparisons. If verifiable data is available, presents KPIs with local and international industry benchmarks.	-	Non-compliance	Mavi commits to disclose the key performance indicators with yearly comparisons in the 2020 Sustainability Report.
	A2. Implementation/ Monitoring	6	Discloses the innovation work to improve sustainability performance for business processes or products and services.	Annual Report, Sustainability Approach, pages 101-119	Full Compliance	

Principle Type	Principle Code	Principle No.	Principle Description	Page Number and/or Link	Compliance	Description (if required)
A.GENERAL	A3. Reporting	7	Reports sustainability performance, goals and actions at least once a year and discloses them publicly. Discloses the information on sustainability activities in the annual report.	Annual Report, Sustainability Approach, page 75	Partial Compliance	Mavi commits to disclose its short-, mid- and long-term ESG goals in 2021.
	A3. Reporting	8	Disclosing information, which is important for stakeholders to understand the position, performance and development of the Company, in a direct and concise manner is essential. Detailed information and data can also be disclosed on the corporate website; separate reports that directly meet the needs of different stakeholders can be prepared.	Annual Report	Full Compliance	Mavi will publish the 2020 Sustainability Report on the corporate website. Mavi also commits to create a dedicated Sustainability section on the corporate website.
	A3. Reporting	9	Takes utmost care to ensure transparency and reliability. Provides objective information on all types of developments regarding material issues in disclosures and reports with a balanced approach.	Annual Report, Sustainability Approach, pages 76-77	Full Compliance	Mavi identified its material aspects in 2019 and disclosed them for the first time in the 2019 Annual Report. Mavi will include updates in the following annual reports and sustainability reports.
	A3. Reporting	10	Provides information about its activities with reference to the related United Nations (UN) 2030 Sustainable Development Goals.	Annual Report, Sustainability Approach, pages 78-79	Full Compliance	
	A3. Reporting	11	Provides detailed information on the lawsuits filed and/ or concluded against environmental, social and corporate governance issues.	-	Full Compliance	No lawsuits have been filed regarding this matter.
	A4. Assurance	12	If verified by independent third parties (independent sustainability assurance providers), discloses its sustainability performance measurements to the public and strives to enhance such verification processes.	-	Non-compliance	Mavi commits to seek increased independent assurance for its sustainability performance measurements.

Principle Type	Principle Code	Principle No.	Principle Description	Page Number and/or Link	Compliance	Description (if required)
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B. ENVIRONMENT	B. Environmental Principles	13	Discloses environmental management policies and practices, action plans, environmental management systems (known as the ISO 14001 standard) and programs.	-	Non-compliance	Mavi commits to obtain ISO 14001 Environmental Management System certification. Mavi Sustainability Committee works on internal changes regarding its environmental policy and aims to publish this policy in the upcoming period.
	B. Environmental Principles	14	Complies with environmental laws and other applicable regulations and discloses them.	Annual Report, Sustainability Approach, page 103	Full Compliance	
	B. Environmental Principles	15	Discloses the limitations of the environmental report to be included in the report according to the Sustainability Principles, reporting period, reporting date, data collection process, and reporting conditions.	Annual Report, Sustainability Approach, page 103-113	Partial Compliance	Mavi commits to disclose this information in the 2020 Sustainability Report.
	B. Environmental Principles	16	Discloses the highest responsible officer, relevant committees, and responsibilities in the Company for environment and climate change.	Duties and Working Principles of the Sustainability Committee	Full Compliance	
	B. Environmental Principles	17	Discloses the incentives offered for the management of environmental issues, including the achievement of objectives.	Mavi CDP Climate Change 2020, page 4	Partial Compliance	Mavi commits to disclose its short-, mid-, and long-term ESG goals. The goals will be integrated into the C-suite performance criteria.
	B. Environmental Principles	18	Discloses how environmental problems are integrated into business goals and strategies.	Mavi CDP Climate Change 2020, pages 12-13	Partial Compliance	Mavi commits to set environmental goals and to integrate these goals with business strategy and targets.
	B. Environmental Principles	19	Discloses the sustainability performance of business processes or products and services, and performance-enhancing activities.	Annual Report, Sustainability Approach, pages 75-122	Full Compliance	
	B. Environmental Principles	20	Discloses how environmental issues are managed across the company's value chain in terms of direct operations and how suppliers and customers are integrated into its strategies.	Annual Report, Sustainability Approach, pages 101-119	Full Compliance	

Principle Type	Principle Code	Principle No.	Principle Description	Page Number and/or Link	Compliance	Description (if required)
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B. ENVIRONMENT	B. Environmental Principles	21	Discloses whether it is involved in policy-making processes on environmental issues (sectoral, regional, national and international); discloses cooperation with environmental associations, institutions, and non-governmental organizations it is a member of, and the duties assumed, if any, and the activities supported.	Annual Report, Sustainability Approach, pages 76, 107	Full Compliance	
	B. Environmental Principles	22	Reports information on its impact with period comparisons based on environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect)), air quality, energy management, water and wastewater management, waste management, biodiversity impact).	Annual Report, Sustainability Approach, page 111 Mavi CDP Climate Change 2020, pages 15-22	Full Compliance	
	B. Environmental Principles	23	Discloses details such as the standards, protocols, methodologies and base year used to collect and calculate its data.	Mavi CDP Climate Change 2020, pages 15-22	Full Compliance	
	B. Environmental Principles	24	Discloses the status of environmental indicators for the reporting year (increase or decrease) in comparison with previous years.	Annual Report, Sustainability Approach, pages 107-113	Partial Compliance	Mavi commits to disclose environmental indicators with year on year comparisons for the last three years in the 2020 Sustainability Report.
	B. Environmental Principles	25	Sets short- and long-term goals to reduce its environmental impact and discloses these goals. It is recommended to determine Science-based goals as suggested by the United Nations Conference of the Parties on Climate Change. If there is progress in the reporting year according to the previously set targets, provides information on the subject.	-	Non-compliance	Mavi commits to set environmental goals.
	B. Environmental Principles	26	Discloses the strategy and actions to combat climate crisis.	Mavi CDP Climate Change 2020, page 12	Full Compliance	
	B. Environmental Principles	27	Discloses the program or procedures to prevent or mitigate the potential impact of the products and/or services offered; discloses the actions of third parties to reduce greenhouse gas emissions.	Annual Report, pages 107-111	Partial Compliance	Mavi commits to work on reducing the greenhouse gas emissions of third parties.

Principle Type	Principle Code	Principle No.	Principle Description	Page Number and/or Link	Compliance	Description (if required)
B. ENVIRONMENT	B. Environmental Principles	28	Discloses the actions taken to reduce its environmental impact, total number of projects and initiatives carried out, and environmental benefits/revenues and cost savings they deliver.	Annual Report, Sustainability Approach, pages 107-113	Full Compliance	Mavi commits to monitor and disclose the environmental benefits and cost savings of the projects it carries out to reduce its environmental impact.
	B. Environmental Principles	29	Reports its total energy consumption data (excluding raw materials) and discloses energy consumption as Scope-1 and Scope-2.	Mavi CDP Climate Change 2020, pages 22-24	Full Compliance	
	B. Environmental Principles	30	Provides information on electricity, heat, steam, and cooling generated and consumed in the reporting year.	Mavi CDP Climate Change 2020, pages 22-24	Full Compliance	
	B. Environmental Principles	31	Conducts studies on increasing the use of renewable energy, transition to zero- or low-carbon electricity and discloses these studies.	Annual Report, Sustainability Approach, pages 107-109 Mavi CDP Climate Change 2020, pages 10, 13	Full Compliance	
	B. Environmental Principles	32	Discloses its renewable energy generation and consumption data.	Annual Report, Sustainability Approach, pages 107-109 Mavi CDP Climate Change 2020, page 23	Full Compliance	
	B. Environmental Principles	33	Carries out energy efficiency projects and discloses the amount of energy consumption and emission reduction achieved through these efforts.	Annual Report, Sustainability Approach, pages 107-109 Mavi CDP Climate Change 2020, pages 13-15	Full Compliance	
	B. Environmental Principles	34	Reports the amount of water withdrawn from underground or above ground resources, water used, recycled and discharged, its sources and procedures (Total water withdrawal by source, water resources affected by water withdrawal; percentage and total volume of recycled and reused water, etc.).	-	Non-compliance	Mavi commits to disclose its water consumption data in the 2020 Sustainability Report.
	B. Environmental Principles	35	Discloses whether operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade, or Carbon Tax).	-	Irrelevant	Mavi is not part of a carbon pricing system. However, the company follows the developments in this area.

Principle Type	Principle Code	Principle No.	Principle Description	Page Number and/or Link	Compliance	Description (if required)
B. ENVIRONMENT	B. Environmental Principles	36	Discloses information on the carbon credit accumulated or purchased during the reporting period.	-	Irrelevant	Mavi does not have accumulated or purchased carbon credits.
	B. Environmental Principles	37	Discloses the details if carbon pricing is applied within the company.	-	Irrelevant	Carbon pricing is not applied.
	B. Environmental Principles	38	Discloses all mandatory and voluntary platforms where it discloses environmental information.	Annual Report Mavi CDP Climate Change 2020	Full Compliance	Sustainability Approach section of the Annual Report or a separate Sustainability Report will be uploaded to the UNGC system.
C. SOCIAL	C1. Human Rights and Employee Rights	39	Creates Corporate Human Rights and Employee Rights Policy, where the company commits to comply with the Universal Declaration of Human Rights, the ILO conventions, to which Turkey is a party, and the legal framework and legislation that regulate human rights and labor conditions in Turkey. Discloses this policy and the roles and responsibilities related to its implementation.	Annual Report, Sustainability Approach, page 81 Mavi's People and Its Principles	Partial Compliance	Mavi commits to publish its Human Rights Policy in 2021.
	C1. Human Rights and Employee Rights	40	Ensures equal opportunity in recruitment processes. Includes fair labor, improvement of labor standards, women's employment and inclusivity issues (such as women, men, religious belief, language, race, ethnic origin, age, disability, refugee, etc.) in its policies by considering the supply and value chain effects.	Annual Report, Sustainability Approach, pages 81-82 Mavi's People and Its Principles Supplier Code of Conduct	Full Compliance	Mavi commits to publish its Diversity and Inclusion Policy in 2021.
	C1. Human Rights and Employee Rights	41	Discloses the measures taken across the value chain to protect groups sensitive to certain economic, environmental, social factors (low-income groups, women, etc.) or minority rights/ equal opportunity.	Annual Report, Sustainability Approach, pages 81-82 Supplier Code of Conduct	Full Compliance	
	C1. Human Rights and Employee Rights	42	Reports developments regarding preventive and corrective practices to eliminate discrimination, inequality, human rights violations, and forced labor. Discloses its regulations against child labor.	Annual Report, Sustainability Approach, pages 81-82, 102 Mavi's People and Its Principles Supplier Code of Conduct	Full Compliance	Mavi commits to publish its Human Rights Policy and Diversity and Inclusion Policy in 2021.

Principle Type	Principle Code	Principle No.	Principle Description	Page Number and/or Link	Compliance	Description (if required)
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C. SOCIAL	C1. Human Rights and Employee Rights	43	Discloses policies regarding investment in employees (training, development policies), compensation, benefits, unionization right, work/life balance solutions, and talent management. Determines dispute resolution processes by creating mechanisms for employee complaints and dispute resolution. Regularly discloses the activities carried out to ensure employee satisfaction.	Annual Report, Sustainability Approach, pages 82-94 Mavi's People and Its Principles Severance Policy Remuneration Policy	Full Compliance	
	C1. Human Rights and Employee Rights	44	Creates occupational health and safety policies and discloses them publicly. Discloses the precautions taken to prevent work accidents and health and injury statistics.	Annual Report, Sustainability Approach, page 95	Full Compliance	
	C1. Human Rights and Employee Rights	45	Creates and publicly discloses personal data protection and data security policies.	Privacy Policy on Protection of Personal Data Privacy Notice on Protection of Personal Data	Full Compliance	
	C1. Human Rights and Employee Rights	46	Creates an ethics policy (including work, business ethics, compliance processes, advertising and marketing ethics, and open disclosure, etc.) and discloses it to the public.	Mavi's People and Its Principles Supplier Code of Conduct	Full Compliance	
	C1. Human Rights and Employee Rights	47	Discloses activities related to community investment, social responsibility, financial inclusivity, and access to financing.	Annual Report, Corporate Governance, page 148-149	Full Compliance	
	C1. Human Rights and Employee Rights	48	Holds briefings and training programs for employees on ESG policies and practices.	-	Partial Compliance	Mavi briefs its employees about its activities related to determining its ESG strategy and goals. Mavi commits to deliver sustainability training programs to its employees in the upcoming period.
	C2. Stakeholders, International Standards and Initiatives	49	Engages in sustainability activities by considering the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, community, and non-governmental organizations, etc.).	Annual Report, Sustainability Approach, pages 76-77	Full Compliance	
	C2. Stakeholders, International Standards and Initiatives	50	Publishes and publicly discloses a customer satisfaction policy regarding the management and resolution of customer complaints.	Annual Report, Sustainability Approach, pages 121-122	Partial Compliance	Mavi commits to publish its Customer Satisfaction Policy in the upcoming period.

Principle Type	Principle Code	Principle No.	Principle Description	Page Number and/or Link	Compliance	Description (if required)
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C. SOCIAL	C2. Stakeholders, International Standards and Initiatives	51	Carries out continuous and transparent stakeholder communications; discloses the stakeholders, purpose, topic and frequency of communications, and the developments in sustainability activities.	Annual Report, Sustainability Approach, page 76	Full Compliance	
	C2. Stakeholders, International Standards and Initiatives	52	Discloses the international reporting standards adopted (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), and Climate-Related Financial Disclosures Task Force (TCFD), etc.).	Annual Report, Sustainability Approach, page 76 Mavi CDP Climate Change 2020	Partial Compliance	Mavi commits to provide more detailed information in the 2020 Sustainability Report.
	C2. Stakeholders, International Standards and Initiatives	53	Discloses the international organizations or principles (Equator Principles, United Nations Environment Program Finance Initiative (UNEP-FI), United Nations Global Compact (UNGC), and United Nations Principles for Responsible Investment (UNPRI) etc.), of which it is a signatory or member, and international principles adopted (International Capital Market Association (ICMA) Green/Sustainable Bond Principles).	Annual Report, Sustainability Approach, page 76, 82	Full Compliance	
	C2. Stakeholders, International Standards and Initiatives	54	Makes firm efforts to be included in Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, and MSCI ESG Indices, etc.).	-	Full Compliance	Mavi is engaged in activities to enhance its ESG performance to be included in the Borsa İstanbul Sustainability Index and international indices.

D. CORPORATE GOVERNANCE	Corporate Governance Principles	55	Makes maximum effort to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles stated in the Capital Markets Board's Corporate Governance Communiqué II-17.1.	Annual Report, Declaration of Compliance with Corporate Governance Principles, pages 137-138	Full Compliance	
	Corporate Governance Principles	56	Considers sustainability, the environmental impact of its activities, and the applicable principles when determining its corporate governance strategy.	Annual Report, Corporate Governance, page 137	Full Compliance	
	Corporate Governance Principles	57	Takes necessary measures to comply with the principles regarding the stakeholders and to strengthen the communication with the stakeholders as stated in the Corporate Governance Principles. Seeks the opinions of stakeholders when determining sustainability-related measures and strategies.	Annual Report, Corporate Governance, page 138	Full Compliance	

Principle Type	Principle Code	Principle No.	Principle Description	Page Number and/or Link	Compliance	Description (if required)
D. CORPORATE GOVERNANCE	Corporate Governance Principles	58	Works to raise sustainability awareness and promotes its importance through social responsibility projects, awareness activities, and training programs.	Annual Report, Sustainability Approach, page 113	Full Compliance	
	Corporate Governance Principles	59	Works to become a member of international standards and initiatives on sustainability and to contribute to activities.	Annual Report, Sustainability Approach, pages 76, 82	Full Compliance	
	Corporate Governance Principles	60	Discloses anti-bribery and anti-corruption policies and programs and promotes the principle of tax integrity.	Anti-bribery and Anti-corruption Policy	Full Compliance	



Corporate Governance

11

CORPORATE GOVERNANCE

Mavi's corporate culture is defined by remaining close to its customers, being passionate for its product quality, earning the trust of its employees, and building long-term partnerships. Mavi conducts its operations with a corporate governance and sustainability approach based on the principles of transparency, fairness, responsibility, and accountability. Mavi continues to design its corporate governance processes to enable transparency for both internal and external shareholders.

The COVID-19 pandemic that impacted the whole world showed once again the rising value of non-financial performances in the eyes of the investors. The fact that increasingly more regulatory authorities require companies to disclose their non-financial data as a prerequisite is an extension of this expectation. With the introduction of an organizational structure dedicated to sustainability, Mavi aims to manage its business processes with an integrated approach and in line with measurable targets.

In determining its corporate governance strategy, Mavi considers the sustainability principles and the environmental impact of its operations.

DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Company began trading on Borsa Istanbul on June 15, 2017 (ticker symbol "MAVI") and has been subject to CMB regulations since then. As a matter of policy, Mavi fully complies with the mandatory principles set out in the Corporate Governance Communiqué No. II-17.1. Mavi aims to achieve full compliance with non-mandatory corporate governance principles and currently works on the principles that have yet to be implemented.

The Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF) pertaining to the Company's special accounting period of February 1, 2020-January 31, 2021 have been prepared in accordance with the presentation principles laid out by CMB's resolution no. 2/49 dated January 10, 2019, published in the CMB Weekly Bulletin, and duly approved by the Company's Board of Directors.

The non-mandatory Corporate Governance principles-which are marked "partially" or "no" in the above mentioned Corporate Principles Compliance Report (URF) published on the Public Disclosure Platform – that Mavi has yet to implement are indicated below, along with their respective descriptions. Mavi has not been exposed to any conflicts of interest due to lack of full compliance with the non-mandatory principles.

Article 1.3.10. Donations made by the Company in 2019 were disclosed in a separate agenda item in the General Assembly Meeting as an overall figure without the details of the beneficiaries of such donations.

Article 1.5.2. Under the Articles of Association, minority rights are not granted to shareholders who hold less than one twentieth of capital and in line with general practices, minority shareholders hold rights accorded by the general provisions of law.

Article 3.1.3. Policies such as Dividend Distribution, Donation and Aid, Disclosure, Severance, Remuneration, and Mavi and Our Principles that address stakeholders' rights are published on the corporate website while other procedures are provided on the internal disclosure platform Maviletişim.

Article 3.2.1. Even though employee participation in management is not regulated with provisions in the articles of association, the employees are informed through various meetings, including MassMavi, the Management Forum, and Marketing Direction; and they find opportunities to discuss the topics that concern them, and exchange and communicate their opinions.

Article 3.2.2. Methods such as surveys and consultations are not utilized to seek the opinions of the stakeholders; however, various research and surveys are conducted to understand the employees' and customers' perception of the company. Furthermore, communication channels are kept open for all stakeholders (suppliers and business partners, etc.).

Article 3.3.1. The company has in place a recruitment policy that ensures equal opportunity. Career planning is offered as part of the HR workforce planning. Accordingly, horizontal and vertical career opportunities are considered for all employees based on a grading system in line with the competency model.

Article 4.3.9. The Board of Directors currently has one female member. According to [the Board of Directors Diversity Policy](#) that the Board approved in 2020, Mavi aims to increase the ratio of female members on its Board of Directors to one-third by 2024.

Article 4.4.7. The Board members make significant – and confidential – contributions to the business with their established careers and proven expertise and they are not restricted in terms of assuming other positions outside the company. Considering the professional and sector-specific experience that the members, and in particular the independent directors bring to the Board of Directors, imposing restrictions on their external duties is not deemed necessary.

Article 4.5.5. Considering various factors such as the volume of operations and administrative needs, Mavi has determined the number of independent members to serve on the Board of Directors as two. Currently, the Board has three committees. Given that the committee chairs are required to be independent members according to the relevant principle, these independent directors serve on multiple committees. These committee assignments do not give rise to any conflicts of interest within the Company.

Article 4.6.1. A specific performance appraisal has not been conducted on Board level.

Article 4.6.5. The remunerations of the Board members are determined by the General Assembly. Furthermore, remunerations of Board members and senior executives are disclosed to the public in the Company's financial table footnotes as a total figure in line with general practices.

SHAREHOLDERS

2.1. Investor Relations Department

The Investor Relations Department, established soon after the IPO, is responsible for informing local and foreign investors in an accurate, consistent and timely manner (while protecting trade secrets and confidential information and respecting equality in communicating information), elevating the Company's profile and credibility, ensuring two-way communication and information flow between the Board of Directors and the capital markets regulators and participants, complying with legislation and the Articles of Association related to shareholder rights, and fulfilling the public disclosure obligations in accordance with applicable legislation and the Company's Disclosure Policy. The Investor Relations Department reports directly to the CFO. The senior director of investor relations holds a Capital Markets Activities Level III License and a Corporate Governance Rating License and serves as a member of Mavi's Corporate Governance Committee.

In the special accounting period from February 1, 2020 to January 31, 2021, the Investor Relations Department attended 15 virtual investor conferences and held over 200 teleconferences to share Mavi's financial, operational and strategic developments with investors and analysts. At these events and meetings, the Company had contact with 360 investors and analysts from 130 local or international institutions and funds. Furthermore, throughout the year, the Department held four earnings webcasts aimed at investors and analysts, announcing quarterly financial results. The recordings and transcriptions of the webcasts, presentations, and the questions addressed to the management as well as the answers were duly posted on the Company's website for the investors and analysts who were unable to participate in the events on the announced days and times.

All the requests for information that the Company received by phone or email in the special accounting period from February 1, 2020 to January 31, 2021 were answered in accordance with the Company's Disclosure Policy and in line with the publicly available information.

The Investor Relations Department submits monthly and quarterly reports to the Board of Directors on macroeconomic and industry developments and stock performance and reports annually to the Corporate Governance Committee on investor relations activities throughout the year. The Investor Relations Department also informs the Board of Directors regularly on the developments about the issues raised in investor meetings.

Contact details of the Investor Relations Department:

Senior Director of Investor Relations

Duygu İnceöz

Phone: +90 (212) 371 20 29

Email: Duygu.inceoz@mavi.com

2.2. Exercise of Shareholders' Right to Obtain Information

No discrimination is made among shareholders in terms of exercising the right to view and request information, and all information, other than those considered trade secrets, is disseminated to shareholders in accordance with the Company's Disclosure Policy to avoid inequality in obtaining information.

The Investor Relations Department at Mavi promptly responds to shareholders' and other stakeholders' information requests and questions via various channels and the most effective means of communication.

Furthermore, in order to enable shareholders to exercise their right to information in the most efficient manner, the Department maintains an Investor Relations tab on the corporate website (mavicompany.com) – also linked from the official website (www.mavi.com) – where investors and other stakeholders are provided with all publicly available financial and operational data, all the Company's material event disclosures, and public announcements and notifications. The website is available in English and Turkish. Additionally, the department emails the latest operational and financial announcements to the individuals or institutions that register for the Investor Relations mailing list.

Even though the right to request a special auditor is not regulated as a personal right in the Articles of Association, pursuant to Article 438 of the Turkish Commercial Code, each shareholder – in order to exercise shareholder rights properly and if they deem necessary – is entitled to ask the General Assembly for clarification of certain instances through a special audit even if this is not included in the agenda and provided that the right to obtain information and inspect is exercised previously. To date, shareholders have not requested such an audit. Furthermore, the company's operations are regularly audited by an independent auditor appointed by the general assembly.

2.3. General Assembly Meetings

The ordinary general assembly convened on July 16, 2020 to review the special accounting period from February 1, 2019 to January 31, 2020 with 69.9% participation at Sultan Selim Mahallesi, Eski Büyükdere Caddesi, No:53, 34418 Kağıthane-İstanbul with attendance open to stakeholders. No additional agenda items were proposed by the shareholders for the said meeting.

The General Assembly meetings are held under the supervision of the ministry representative appointed by the Ministry of Commerce. Calls to General Assembly meetings are issued by the Board of Directors in accordance with the provisions of the Turkish Commercial Code, Capital Markets Law and the Company's Articles of Association. On the date of the Board of Directors' resolution to convene the General Assembly, the public is informed by necessary material disclosures on the Public Disclosure Platform and via the Electronic General Assembly System (EGKS). In addition to the procedures set out in applicable regulations, the General Assembly meeting is announced at least 21 days before the General Assembly meeting on the corporate website and on the e-company portal of the Central Registry Agency to reach the maximum number of shareholders possible.

Prior to the General Assembly meeting, necessary documents regarding the agenda items are announced to the public while all legal processes and regulations are observed in all notifications. Regarding the agenda items of the General Assembly, the Annual Report, Financial Statements, Corporate Governance Principles Compliance Report, Dividend Distribution Proposal, Independent Auditor's Report, the draft Amendments – if any – to the Articles of Association, showing both the old and new versions, Disclosure Policy, Remuneration Policy, Dividend Distribution Policy, and résumés of the Board members are made available for the shareholders to review at the Company's head office and on the website 21 days before the General Assembly meeting. Furthermore, detailed information is provided for each agenda item in the information documents related to agenda items and other information anticipated for the General Assembly meetings are offered to the investors.

At the General Assembly meeting, the agenda items are presented in an objective and detailed manner using a clear and comprehensible method, enabling the shareholders to express their opinions and ask questions under equal conditions. At the General Assembly meeting on July 16, 2020, the questions asked by the shareholders were answered on the spot and no written question was sent to the Investor Relations Department due to failure to be answered at the General Assembly meeting.

To facilitate attendance, shareholders can also follow the General Assembly meetings via EGKS. The venue of the General Assembly meeting is planned to enable participation of all shareholders. Furthermore, for shareholders who will be represented by proxy at the General Assembly meetings, proxy forms are available on the website and the e-company portal and also offered in an announcement on the trade registry newspaper.

The minutes of the meeting can be accessed via PDP, EGKS, the e-company portal, and the corporate website. Furthermore, these minutes are open to shareholders at the Company head office and presented upon request.

Information on the donations and grants made in the reporting period is presented to the General Assembly under a separate agenda item. At the Ordinary General Assembly Meeting on July 16, 2020, the upper limit for donations to be made by the Company in the special accounting period of February 1, 2020-January 31, 2021 was set at TL 1,650, 000 to cover the donations and aid as part of the COVID-19 efforts. The donations and aid in the reporting period amounted to TL 1,328,620.61.

In order for the Board of Directors to reach a resolution in accordance with the Capital Market Regulations, the majority vote is sought by most of the independent Board members; however, there were no transactions that required the decision to be taken to the General Assembly due to the nay votes of the said members in the special accounting period from February 1, 2020 to January 31, 2021.

In the special accounting period from February 1, 2020 to January 31, 2021, no materially significant transaction has transpired that would cause a conflict of interest between the controlling shareholders, Board members, executives with administrative responsibilities and their spouses, relatives by marriage and blood relatives up to the second degree with the company and its affiliates.

2.4. Voting and Minority Rights

The Company's Articles of Association do not grant any privileges regarding voting rights. Each share is entitled to one vote at Ordinary and Extraordinary General Assemblies.

The Company refrains from practices that suppress shareholders' exercise of their voting rights and has established mechanisms to ensure every shareholder, including international ones, can exercise voting rights in the simplest and most convenient manner possible.

Pursuant to Article 10, paragraph (e) of the Articles of Association, shareholders who are entitled to attend the Company's General Assemblies can choose to do so in the electronic medium in accordance with Article 1527 of the Turkish Commercial Code.

Even though the Articles of Association do not stipulate a ratio lower than 5% for the exercise of minority rights, Mavi takes utmost care to enable the exercise of the minority rights in accordance with the provisions of the Turkish Commercial Code.

2.5. Dividend Rights

The Company's dividend distribution principles are set out in its Articles of Association under Article 15 "Determination and Distribution of Profit." The Article stipulates that the Company will adhere to the provisions of the Turkish Commercial Code and capital markets legislation in determining and distributing profit.

The Articles of Association do not grant any privileges to shareholders in respect of profit distribution. The Company's Dividend Distribution Policy is provided below.

Dividend Distribution Policy

The purpose of the dividend distribution policy is to ensure that a balanced and consistent policy is implemented pursuant to the applicable legislation in relation to the interests of the investors and the Company, inform the investors sufficiently, and maintain a transparent policy toward the investors.

The general assembly, upon the proposal of the Board of Directors, resolves on the distribution of dividends and the timing and manner of such distribution. To the extent allowed by applicable regulations and financial resources, and taking into account market expectations, long-term company strategies, capital needs of the subsidiaries and affiliates, investment and financing policies, profitability, and cash reserves, the Company aims to distribute at least 30% of the distributable net profit calculated for the relevant period pursuant to the Articles of Association, TCC, CMB's Dividend Distribution Communiqué No. II-19.1 and tax legislation to the shareholders and other persons sharing the profit. Dividends may be distributed in cash and/or bonus shares and/or as a combination of both in certain ratios. Dividends are distributed equally to all shares in existence at the time of distribution, pro rata to their respective ratios and regardless of their date of issuance or their date of acquisition. Dividends may be paid out in equal or varying instalments, provided that this is resolved upon during the general assembly meeting where dividend distribution resolution is also passed. The dividend distribution will commence on the date determined by the general assembly, provided that the distribution is initiated before the end of the accounting period in which the respective general assembly meeting takes place. Pursuant to the Articles of Association, the general assembly's dividend distribution resolution may not be revoked unless permitted by applicable law. Should the Board of Directors propose not to distribute dividends, the reasons for this proposal and the manner in which the retained profit would be used will be explained under the agenda item concerning dividend distribution, and this information will be presented to the shareholders during the General Assembly.

The Board of Directors' dividend distribution proposal or the Board resolutions relating to the distribution of advance dividends are announced to the public in accordance with applicable regulations together with the form and content of the relevant proposal/resolution and the tables showing the dividend distribution or the advance dividend distribution. In the event of any amendments to this dividend distribution policy, the Board resolution on such amendments are announced to the public with the reasons thereof.

2.6. Transfer of Shares

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

PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Contents

Mavi's corporate website is www.mavicompany.com and its purpose is to inform shareholders, other stakeholders and the general public concurrently, clearly, fully, and accurately. This site can also be accessed via a link on the

Company's official website, www.mavi.com. The website's Investor Relations section includes all information that the CMB stipulates for disclosure and this information is constantly updated. The information on the Company's corporate website and its investor relations section is the same as or consistent with the disclosures made under the provisions of the applicable legislation; and there is no conflicting or missing information. This information is provided in Turkish and English on the website.

3.2. Annual Report

Mavi's annual and interim reports are adequately detailed to provide the public with full and accurate information on the Company's activities. At a minimum, they include all the information required by the applicable Communiqué of the CMB and the Corporate Governance Principles. These are published on Mavi's corporate website, www.mavicompany.com.

STAKEHOLDERS

4.1. Informing Stakeholders

In addition to the shareholders and capital markets participants, Mavi also briefs its employees, customers, dealers, suppliers, financial institutions, potential investors, and all other stakeholders at regular intervals via press conferences, press releases, annual reports, corporate website, and practices under its Disclosure Policy. Furthermore, to the extent deemed necessary and practical, the Company regulates its relations with such persons under written contractual arrangements.

To the extent that the stakeholders' rights are not regulated by law or contract, the interests of the stakeholders are safeguarded by goodwill and to the extent that the Company is able to do so while maintaining its reputation. The Company discloses information to the public via press conferences, press releases, and interviews and the press statements on financial issues are concurrently released on the corporate website.

Mavi communicates its notifications and employee briefings to all employees via email concurrently while simultaneously posting them on the intranet (Maviletişim), which is accessible to all Mavi employees. The Company has designed its communication channels to ensure accessibility for all stakeholders and access details are posted on the corporate website.

Stakeholders may communicate with the Company at any time via the Corporate Governance Committee, the Audit Committee and the Investor Relations Department or directly by email, surface mail or telephone. Through the Mavi Ethics Board, stakeholders may inform the Corporate Governance Committee or the Audit Committee of actions they deem to violate applicable legislation or to be unethical. The Audit Committee is responsible for reviewing and resolving complaints communicated in relation to accounting and internal control systems, and independent audit of the Company, and handling the issues reported by the employees concerning accounting and independent audit.

In case of any conflict of interest arising among the stakeholders or a stakeholder being included in multiple groups of interest at the same time, the Company applies a balanced strategy to the extent possible to safeguard all interests.

4.2. Stakeholder Participation in Management

Mavi has in place several practices to facilitate and promote stakeholder participation in the company's management. In addition to encouraging engagement regarding financial and operational matters, the company also seeks the opinions of stakeholders in its efforts to improve the environmental, social and corporate governance-related measures and the sustainability strategy. Mavi aims to enhance communications with stakeholders further.

Employees:

Mavi organizes several structured and regular meetings to inform the employees and encourage their participation in management. These meetings include:

- **MassMavi Meetings:** In these meetings held with all head office employees, the departments share their monthly business plans.
- **Management Forum Meetings:** These biannual meetings take place with wide participation of all head office employees to discuss the company's six-month results.
- **GoForward Meetings:** Utilizing the knowledge obtained from the Adizes methodology, which delivered efficient results in 2015, Mavi organizes a series of workshops in several Go groups. The multi-functional, solution-focused project groups include manager and higher level executives and the workshops' scope extends to all company functions. These workshops, which include Gojeans, Gowomen's, Goaccessories, Gomen's, Gomutlumavimusterisi, Goretailefficiency, Gointernational, Gosystems, Gonlinedigital, Goyouth, and Gosocialcompliance, also host independent experts in their respective fields.
- **GoSeason Meetings:** In these biannual meetings, store managers are trained on the forthcoming season collections and product information. During these meetings, category managers describe the highlights and hero products of the season and the store managers' feedback is received.
- **Mavi strategy and goal meetings for the stores:** Outdoor meetings for store managers and assistant store managers. Mavi directors give presentations about the company strategy to build upon Mavi's common goals and culture.

Franchisees:

Mavi holds quarterly meetings with its local and international franchisees to present the Company's strategy and targets as well as collections. The franchisees are also briefed on current developments and their opinions are received in person while suggestions are considered.

Suppliers:

Mavi works with approximately 130 direct and indirect suppliers that form a key part of the supply chain. There are various practices in place to enhance the Company's cooperation with its suppliers, including supplier training programs, audits, and visits where general information on the Company's vision, strategy, business targets, and future actions are explained and Mavi's expectations of suppliers with respect to social responsibility and occupational health and safety are communicated.

Customers:

One of Mavi's top priorities is the 'Happiest Mavi Customers' approach, focused on continuously delivering ultimate customer satisfaction. To spread this approach across its operations, Mavi established a special project group, GoCustomer, to channel the synergies of marketing, HR, sales and training department employees into this endeavor. This project group carries out activities through the year to ensure that Mavi customers enjoy superior product and service quality and excellent shopping experiences.

Mavi customers can contact Mavi by telephone, email, and social media or through Mavi stores to communicate their opinions and suggestions regarding the company's products and services or their thoughts and feelings about Mavi. In November 2019, the Company decided to outsource its call center operations, which were previously in-house, to Global Bilgi. In this new set-up, the customer relations team at the head office manages the back office while Global Bilgi has a dedicated team of 26 for Mavi at its Bursa location. The new structure, which integrates call center processes across stores and e-commerce, is capable of responding to Mavi customers from 8 am to 12 am seven days a week.

The call center team manages the entire multi-channel flow of information that Mavi receives and the team responds to the customers by taking the necessary actions. Customer complaints about products and other matters are recorded and reported. These reports are shared with all relevant departments in meetings. Furthermore, services of a third-party firm are procured to monitor all customer social media posts and conversations about Mavi. This service tracks all the engagements about the Company, collects valuable insights and enables rapid turnaround in matters that require response. Over 90% of the content shared and the conversations on social media regarding Mavi are positive.

Mavi conducts regular surveys to collect information on its customers' perceptions and on consumer habits in relation to the Mavi brand, products and advertising campaigns. The Company's secret customer visits to Mavi stores and franchises aim at inspecting, monitoring and reporting each retail point and on its service quality.

4.3. Human Resources Policy

Ensuring that its human resource as its most valuable asset functions in the most efficient and productive manner possible, monitoring motivation and job satisfaction in terms of remuneration and morale, and introducing relevant policies and measures are among the Company's key targets. Mavi has defined its human resources principles with the aim of becoming the most preferred employer.

Mavi's HR processes are developed and conducted by HR and organizational development, talent acquisition and recruitment, retail HR and administrative affairs teams, all overseen by Global Human Resources. A dedicated representative is not appointed for relations with the employees, who can access the management via all communication channels openly.

HR policies and practices are implemented to align with Mavi's business strategies and to support its sustainable growth. They are defined by the organizational competency and behavioral traits ("Mavi Competence Model") and managed accordingly.

HR principles:

- To recruit young people and experienced professionals that will drive Mavi forward
- To establish and implement systems that enable the employees to train, develop, succeed, and rise professionally

- To invest constantly in developing the employees, to prepare and deliver training programs by identifying training needs
- To ensure that the employees are placed in positions that match their knowledge and skills, to introduce practices that elevate work effectiveness and productivity
- To increase employee loyalty through career opportunities and recognition
- To create and maintain a safe, healthy and peaceful working environment in terms of environmental and occupational health and safety
- To fill vacant positions from existing human resource, where possible
- To recruit the most suitable candidates by considering the Company's current and future needs, to offer equal opportunities to the candidates, and to ensure cultural diversity

The Company has published policies and procedures relating to all HR processes, including employees' job descriptions, performance appraisals and reward criteria. These documents are available on Maviletişim, a portal accessible to all employees. Employees receive regular briefings via the Company's email system and the intranet.

All employees are treated equally and free of discrimination on grounds of ethnic background, language, religion, race or gender across all human resources processes, including recruitment, training and development, performance and talent management, career management, and remuneration. The Company received no complaints of discrimination from employees in 2020.

4.4. Business Ethics

As a brand that elicits confidence from the consumer, Mavi is a reputable business partner for suppliers and offers its employees a career open to development as it nurtures a strong sense of belonging and loyalty. These attributes are rooted in principles that the Company embraces and practices in all its business affairs. Since its founding, Mavi's core principles, which ensure the sustainability of its corporate direction, have been uncompromising integrity, fairness and full compliance with laws and codes of conduct. Working under the Mavi umbrella demands professional and honest behavior under all conditions and identifying one's personal reputation with that of the brand and the organizational structure. Accordingly, Mavi expects each employee to respect all living creatures and the environment, to maintain a sense of social responsibility, and to internalize all aspects of the business code of conduct. Mavi secures its brand image by ensuring that the employees put the brand's interests above their own and avoid any behavior to the detriment of the Company and its reputation. Codes of conduct are detailed in a booklet, Mavi's People and Its Principles, and made available on the corporate website for all stakeholders and the intranet (Maviletişim) for the employees. With Mavi's People and Its Principles, the Company aims to ensure that employees embrace business ethics and comply with the codes of conduct and relevant procedures. The principles that govern key aspects such as protecting brand interests, preserving company assets, privacy and information security, non-discrimination, and anti-bribery and anti-corruption lay out the responsibilities with which the employees and executives are required to comply.

The Senior Legal and Compliance Manager delivers training programs on the topics included in Mavi's People and Its Principles. In 2020, 376 head office employees took the Code of Ethics training for an average of one hour per employee as part of the efforts to ensure that the ethical principles are understood and embraced by all the employees. Announcements regarding the Ethics Line are posted on the intranet and posters are placed in all the stores.

[For Mavi's People and Its Principles \(Code of Conduct\), please click here.](#)

Whenever Mavi employees encounter unethical behavior in the workplace, they may call the Ethics Line to communicate their complaints. The Ethics Line is a 24/7 support system managed by a third party, completely independently from the company management, and enables the Mavi employees in Turkey and other countries to report the non-compliances they detect or witness, voice their concerns, or ask questions. The Ethics Line can be accessed by phone, email or via the website.

Ethics Line - phone: 212 979 70 09

Ethics Line - email: mavi@etikhat.com

Ethics Line - website: www.remedetikhat.com.tr User name: "MAVİ"; password "Mavi1991"

The Ethics Line is a channel where every employee can communicate verbally in his/her native language and voice his/her complaints without having to disclose his/her identity. Confidentiality can be a concern for those who want to communicate in writing by sending emails, and therefore, no information, including the IP of the senders who wish to remain anonymous, is shared with Mavi.

Work is in progress to open the ethics line to all the stakeholders.

The Code of Conduct for Suppliers includes a complaint procedure to report violation of ethical codes or irregularities. Such complaints or reports may always be communicated unanimously, if desired, by sending an email to compliance@mavi.com. Customers may also report irregular and unethical transactions by phone or email.

[Please click here for the Mavi Code of Conduct for Suppliers.](#)

The Ethics Board, consisting of three main and two reserve members, is responsible for investigating and resolving complaints and reports of code of conduct infractions. The head and members of the Ethics Board act independently of their departmental managers and the corporate hierarchy without external influence. No one may exert pressure on the Ethics Board, whose decisions are implemented promptly. In 2020, the Ethics Board received 127 reports via the Ethics Line and investigated each one, resolving 113 (89%) of all calls.

Anti-bribery and Anti-corruption Procedure

Mavi does not tolerate any form of bribery and corruption. Mavi has prepared an Anti-Bribery and Anti-Corruption Procedure, which lays out the Company's stance against bribery and corruption. This procedure is available on the corporate website and intranet (Maviletişim) for all stakeholders. This procedure aims to comply with the anti-bribery and anti-corruption laws and regulations in all the countries where the Company operates, ethical and professional principles, as well as universal codes. The procedure applies to directors and employees at all Mavi companies in Turkey and abroad as well as its suppliers, franchisees and their employees. Business partners, including consultants, lawyers and external auditors are also subject to this procedures. The Company's anti-bribery and anti-corruption practices are defined in Mavi's People and Its Principles.

- Bribery or corruption will not be tolerated under any circumstances whatsoever.
- Job-related financial favors, so-called commission or by any other name, will not be accepted or offered.
- Direct or indirect propositions to public or private persons or entities to secure any preference or favors, whether related to business or not, as well as written or verbal agreements for such purposes are strictly prohibited.

- Relationships with third parties will not be abused to secure favors against the promise of preferential treatment, and any propositions for such will be rejected.
- Utmost care must be taken to ensure that no act or behavior, whatever the intention may be, creates even the slightest suspicion or impression of a favor.

The Code of Conduct for Suppliers stipulates that all business partners and their employees are obligated to act ethically and morally to avoid any personal dependence, obligation, or influence in all their business dealings in line with anti-bribery and anti-corruption principles. All employees and business partners are expected to behave professionally with a sense of fairness and in full compliance with all applicable national and international laws and regulations.

Relations with suppliers and state institutions, payment terms, human resources processes, accounting and purchasing processes are regarded as activities prone to high risk of corruption. Operational processes with high risk are within the purview of the Audit Committee. An annual internal audit calendar is prepared with the approval of the Audit Committee, which consists of independent board members. Of the processes prone to corruption risk, 75% have been audited by the internal audit team and the findings were shared with the Company's senior management and the Audit Committee.

Any suspicions that involve employees or persons acting on behalf of Mavi to be in violation of the Anti-bribery and Anti-corruption Procedure must be reported to the Mavi Ethics Line or the Compliance Manager. In cases that are in violation of the Procedure, the issue is investigated by the Mavi Ethics Committee without endangering the safety and reputation of the reporting individual and sanctions are imposed if impropriety or irregularity is determined.

The "Corporate Compliance and Ethics at Mavi" training organized for head office employees is designed to cover two topics included in the Anti-bribery and Anti-corruption Procedure and its Annex, Implementation Guidelines for Accepting Gifts and Hospitality. To date, 103 managers and higher level executives have taken the Corporate Compliance and Ethics at Mavi training.

In 2020, no bribe-related notifications were received by the Ethics Line.

[Please click here for the Anti-bribery and Anti-corruption Procedure.](#)

As a rule, the Anti-bribery and Anti-corruption Procedure prohibits Mavi employees from engaging in relationships with companies that supply products and services to Mavi and their employees, as well as institutions, organizations or business partners and/or third parties with whom they come into contact due to their jobs at Mavi, in manners that may be misconstrued as the exchange of financial favors, including accepting or offering gifts, invitations, and hosting, etc.

As part of the efforts to fight bribery and corruption, a procedure that lays out the rules for accepting gifts and hosting offers has been emailed to the suppliers.

4.4.5 Social Responsibility

Mavi aims to create sustainable social benefit and empower young people through social responsibility activities inspired by youth. The Company is engaged in various social responsibility projects, including the following:

- **Indigo Turtles:** Since 2014, the Company continues to support the Ecological Research Association's (Ekolojik Araştırmalar Derneği, EKAD) efforts to preserve sea turtles facing extinction through the Indigo Turtles project. The objective of the project is to protect the Mediterranean native *Caretta caretta* species of sea turtles, which have lived on earth for 110 million years. Over the last 21 years, EKAD, which carries out its activities in Belek, the largest nesting ground in the Mediterranean region, has helped more than 800 thousand *Caretta caretta* reach the sea. Facing many difficulties, only 40% of hatchling turtles make it to the water and only one in a thousand survives. The Indigo Turtles project not only supports the sea turtles' difficult fight for survival but also raises awareness about the value of volunteering. Volunteers set up camps to help protect the turtle eggs from external stimuli and ensure that the hatchlings make it to the sea. Hundreds of volunteers from Turkish and international universities and colleges, as well as Mavi employees, customers, scholars and followers take part in the activities.

- **Mavi Scholarship Fund:** Since 2016, Mavi grants annual scholarships to female students in a number that corresponds to the age of the Company. For the 2020–2021 academic year, 30 students received grants under the Mavi Scholarship project, which supports them throughout their university education. Mavi also supported the education of one female student as part of Koç University's Anatolian Scholars program, which gives a second chance to successful students that achieve scores in the top 1% in the university exams despite limited education privileges but are unable to qualify for scholarships.

- **Mavi Stands by the Community:** In the fight against the COVID-19 pandemic, Mavi joined forces with manufacturers to produce protective face masks. In addition to the medical masks and overalls, the company also provided clean clothes to support the healthcare professionals working tirelessly on the frontlines. Furthermore, Mavi made a monetary contribution to the social solidarity campaign of the Ministry of Family, Labour and Social Services.

BOARD OF DIRECTORS

5.1. Board Structure and Composition

The duties and responsibilities of Mavi's Board members are clearly set out in the Company's Articles of Association. The Board of Directors principally defines the Company's strategic targets, determines the workforce and financial resource requirements, and oversees the performance of the management.

The Board of Directors consists of two types of members: executive members and non-executive members. Non-executive members, free of any other administrative duties at the Company, will constitute the majority of Board members.

The Company is managed and represented by a Board of Directors consisting of six members. Half of Mavi's Board members are elected from among candidates proposed by the Class-A shareholders. The Chairperson of the Board of Directors is elected from among those Board members proposed by Class-A shareholders.

Sufficient number of independent members are appointed to the Board of Directors by the General Assembly, in line with the principles concerning independence of the members of Boards of Directors, as set out in the CMB's Corporate Governance Principles. These independent members must possess the qualifications sought under

the CMB's Corporate Governance Principles. CMB regulations also govern the terms of office of the independent members of the Board of Directors. In the special accounting period from February 1, 2020 to January 31, 2021, no circumstances that would impair the independence of the independent members occurred.

In the special accounting period from February 1, 2020 to January 31, 2021, only one female member sat on Mavi's Board of Directors. According to [the Board of Directors Diversity Policy](#) that the Board approved in the reporting period, Mavi aims to increase the ratio of female members on its Board of Directors to one-third by 2024 and to maintain this ratio thereafter.

The résumés of the Board members are included in the "Board of Directors" section of the annual report and made publicly available on the corporate website.

At Mavi, the positions of the Chairperson of the Board of Directors and the CEO are assumed by different individuals. While Board members are required to dedicate sufficient time to the Company's affairs, there is no restriction on their duties outside of the Company. Considering the significant contribution Board members make to Mavi's Board of Directors with their professional experience and industry expertise, imposing restrictions on their external duties is not deemed necessary. Prior to every General Assembly, the résumés of the Board members and their duties external to the Company are submitted to the shareholders.

Currently, the Board of Directors of Mavi consists of six members whose positions are detailed below.

Name	Position	Other Positions Within the Group and Name of the Relevant Company	Positions External to the Group and Name of the Relevant Company
Ragıp Ersin Akarlılar	Chairman Non-executive	President - Mavi USA Member, Supervisory Board Mavi Germany Company Secretary - Mavi Canada	-
Seymur Tari	Board Member Non-executive	-	Türk Ventures Adv. Ltd. İstanbul CEO Board member - Medical Park Sağlık Hizmetleri A.Ş., Flo Mağazacılık ve Pazarlama A.Ş., Elif Plastik
Fatma Elif Akarlılar	Board Member Executive Chief Brand Officer	Member, Supervisory Board - Mavi Germany	-

Name	Position	Other Positions Within the Group and Name of the Relevant Company	Positions External to the Group and Name of the Relevant Company
Ahmet Cüneyt Yavuz	Board Member Executive CEO	Supervisory Board Member - Mavi Germany	-
Ahmet F. Ashaboğlu	Independent Director Non-executive	-	CFO - Koç Holding Board Member - several Koç Group companies
Nevzat Aydın	Independent Director Non-executive	-	Board Member & CEO - Yemeksepeti Board Member - Endeavor, TOBB Young Entrepreneurs, American Turkish Society; Member of the Board of Trustees, Boğaziçi University Founding Member, Galata Business Angels; WTech Women in Technology Association

5.2. Board of Directors' Operating Principles

Board meeting agendas are determined upon the notification by the relevant departments to the senior management and the Board of Directors of the matters that are expressly stipulated by the Articles of Association to be considered by the Board of Directors. The board will convene or pass resolutions as and when the Company's affairs necessitate upon the request of the Chairperson or the Vice Chairperson. In the special accounting period from February 1, 2020 to January 31, 2021, the Board of Directors convened 13 times and passed 63 resolutions.

All members generally attend the Board meetings held in accordance with Article 390/1 of the Turkish Commercial Code. Pursuant to the Turkish Commercial Code, Article 390/4, should all members agree that a Board meeting is not required, the Board may pass resolutions by obtaining the written assent of the absolute majority of the Board members to proposed resolutions submitted in writing by Board members.

Provisions of the Turkish Commercial Code and capital markets legislation apply to the meeting and resolution quorums of the Board of Directors. Mavi's Articles of Association include no provision granting Board members casting votes or vetoes in Board meetings.

Dates and times of Board meetings are set by consulting the Board members before issuing a call to meeting. Calls to meetings are sent by email to all the Board members. The Board has appointed a Secretary to ensure all Board responsibilities are fulfilled and resolutions are implemented.

Minutes of the Board meetings are recorded to include all questions raised, all matters discussed, and all

resolutions passed, with the reasoning for the voting outcomes. No votes were cast against Board resolutions within the reporting period.

In the reporting period, no related party transactions or material transactions, which were disapproved by the independent members and therefore required presentation to the General Assembly for approval, took place.

The Company has executive liability insurance coverage of \$25 million, which extends to all members of the Board of Directors and the senior management of Mavi's affiliates/subsidiaries.

5.3. Number, Structure and Independence of Board of Directors' Committees

The Board of Directors established an Audit Committee, a Corporate Governance Committee and an Early Identification of Risk Committee to ensure that the Board fulfils its duties and responsibilities in a safe and sound manner. The committees carry out their duties in accordance with the specified operating principles, which are also available on the Company's corporate website.

The Board of Directors appointed members to these committees on July 16, 2020 and disclosed the resolution on the Public Disclosure Platform (PDP).

The Company did not form a Nomination Committee or a Remuneration Committee in 2020 and the relevant functions are delegated to the Corporate Governance Committee.

The Board of Directors provides all resources and extends full support to the committees for performance of their assigned duties.

Executive members are not eligible for appointment to these committees. Since it is mandatory to appoint the chairpersons of the three committees under the Board of Directors and the members of the Audit Committee from among the Board's independent members, those members serve on multiple committees.

Audit Committee

Name	Title on the Committee	Independent/Non-executive
Ahmet F. Ashaboğlu	Head	Independent, non-executive
Nevzat Aydın	Member	Independent, non-executive

The Audit Committee consists of members, who are non-executive and independent members of the Board of Directors, and who possess adequate financial knowledge and experience. The Committee head and member are appointed by the Board of Directors. The Company's Internal Audit department serves as the secretary to the Audit Committee. The secretary is named by the head of the Audit Committee. The Board of Directors extends all resources and support to the Audit Committee for proper functioning.

The Audit Committee oversees the accounting system of the Company, public disclosure of financial information, and functioning and effectiveness of the internal control system and the Internal Audit department. Accordingly, the Committee ensures that financial and operational activities are supervised, and all internal and

independent audits are carried out in a healthy manner, offers opinion about the accuracy of financial statements and recommendations to the Board of Directors about the selection of the independent auditor, and reviews Company policies related to investigations about legal compliance, ethical codes, conflicts of interest, poor management and fraudulent transactions, as well as suitability of corporate governance policies through the internal audit department. The Committee furthermore convenes with the internal audit department to discuss the adequacy of the internal control system and holds regular meetings to build a communication bridge between the Board of Directors, finance managers, independent auditors, and the internal audit department.

The Audit Committee convenes at least four times a year and every three months at a minimum at the Company's head office or another location upon the Committee head's invitation. The Committee can also be called to convene extraordinarily by the Chairman or the Committee head and hold meetings with the auditors and the executives on a special agenda. The Audit Committee convened four times during the reporting period and reviewed and approved the internal audit reports.

In addition to convening four times to review the internal audit activities in 2020, the Audit Committee also passed four resolutions and submitted them to the Board of Directors in writing, expressing its observations on the accuracy, correctness and compliance of the annual and interim financial statements prepared for public disclosure with the Company's accounting principles.

Corporate Governance Committee

Name	Title on the Committee	Independent/Non-executive
Nevzat Aydın	Head	Independent, non-executive
Ragıp Ersin Akarlılar	Member	Non-independent, non-executive
Duygu İnceöz	Member	-

The Corporate Governance Committee was established to monitor the Company's compliance with corporate governance principles, examine the reasons for non-implementation of the principles that have yet to be implemented, and recommend to the Board of Directors ways to improve corporate governance practices. The Committee also works in coordination with the Investor Relations department to review the requests and opinions communicated to the Company by investors and shareholders, ensuring that they are resolved, and develops proposals to make sure that public disclosures and analyst presentations are made in compliance with the laws and regulations and particularly in accordance with the Company's public disclosure policy. Since Nomination and Remuneration Committees are not yet established within Mavi, it has been accepted as a principle that the Corporate Governance Committee should fulfill the duties and responsibilities of these committees. The Committee submits reports of its activities and recommendations to the Board of Directors in writing.

In the fiscal year 2020, the Committee assessed the Company's corporate governance practices and the Corporate Governance Principles Compliance Report and monitored the activities of the Investor Relations department. The Committee also submitted its opinion to the Board of Directors on determining the honoraria to be paid to the non-executive Board members.

Early Identification of Risks Committee

Name	Title on the Committee	Independent/Non-executive
Ahmet F. Ashaboğlu	Head	Independent, non-executive
Ragıp Ersin Akarlılar	Member	Non-independent, non-executive
Bige İşcan Aksaray	Member	-

The Early Identification of Risk Committee was established to identify the risks that pose a threat to the Company's existence, development and continuity ahead of time, implement risk mitigation and risk management measures, and manage the risks. The Committee submits opinions to the Board of Directors to identify the risks that might affect the company's stakeholders and especially the shareholders and to establish the internal control mechanisms that include risk management and information systems processes to minimize the impact.

The Early Identification of Risk Committee convenes at least six times a year. In the fiscal year 2020, the Committee submitted six written reports to the Board of Directors, with four on enterprise risk management that involves detection of risks and determining the steps and actions to avoid or mitigate risks, and two on the efficacy of the risk control mechanisms in place.

5.4. Risk Management and Internal Control Mechanism

Mavi has established an Early Identification of Risk Committee under its Board of Directors in line with Article 378 of the Turkish Commercial Code and the CMB's Corporate Governance Communiqué. The Committee identifies the risks that may jeopardize the Company's existence, development and continuity ahead of time, thereby supporting the Board of Directors' implementation of risk-mitigation and management measures. The Committee reports to the Board of Directors at each meeting of the Board, and the Company forwards these reports to the independent auditors. The Board of Directors regularly assesses the risks that the Company faces based on the information provided by the Committee.

Responsibility for the management and reporting of risks is supervised by the CFO in coordination with other departments. The risks are prioritized based on periodical reports at the meetings, action plans and responsible departments are determined, and monitored with Critical Risk Indicators. The principal risks that the company is exposed to are categorized and followed under four main headings: financial risks, reputation risks, strategic and operational risks, and legal risks. As part of the efforts toward full compliance with the Communiqué on Information Systems Management, which entered into force on January 5, 2018 upon publication in the Official Gazette, No. 30292, Mavi obtained the ISO 27001 Information Security Management System certification and all processes are now carried out according to the ISO standards.

Standard definitions, job descriptions, authorization system, policies and written procedures that are part of the workflows constitute the internal control system. The senior management of the Company and its subsidiaries hold responsibility for internal control mechanisms. The internal control system is periodically reviewed and audited by the Internal Audit Department.

5.5. Mavi's Strategic Targets

The Board of Directors defines the Company's strategic targets, determines the human and financial resources that the Company requires and oversees the management's performance. Accordingly, roadmaps are prepared detailing the operational and financial plans of the Company for three years (detailed plans are laid for the

forthcoming year and macro-level plans for the two subsequent years). These plans are updated every year, taking into consideration developments in local and international dynamics. Once a year, GO Forward meetings are organized to discuss these strategies first with the C-suite and then with managers on all levels to ensure alignment of the whole organization on short-and long-term targets of the company.

The management budget, detailing the Company's operational and financial plans for the forthcoming fiscal year, is prepared with the participation of all departments in two phases: the first covers the spring-summer and the second fall-winter. These plans are discussed in detail and finalized, then approved during budget meetings held with the entire senior management and the Board of Directors in attendance. The Board of Directors monitors the financial performance of the Company versus the budget at quarterly meetings. The Board also reviews the strategic developments, formulates strategies by considering the recommendations of the administrative structure, and makes investment decisions.

In the year-end performance appraisal process, financial and operational indicators along with the degree that the Company has attained its strategic targets are evaluated. These results provide input for the performance system.

5.6. Financial Benefits

The Company's remuneration policy, which contains provisions for all the rights, benefits and remuneration provided to the Board members and senior management, along with the criteria applied when determining such, and remuneration principles is available on the corporate website.

Determining the remuneration for non-executive board members for 2021 will constitute a separate agenda item at the ordinary general assembly meeting to review the 2020 activities of the Company. Remuneration of independent members of the Board does not involve dividends, stock options or performance-based payment plans.

The aggregate of financial benefits paid in the reporting period to Board members, the general manager and the executives reporting directly to him amounted to TL 45,738,000, inclusive of salaries and bonuses. Pursuant to Article 4.6.5 of the Corporate Governance Principles, the salaries and all other benefits paid and provided to Board members and senior executives are disclosed to the public via the Company's annual report. However, the disclosure only provides a breakdown of the benefits as a sum for the Board of Directors and senior executives and does not specify individuals.

In the reporting period, the independent Board members Nevzat Aydın and Ahmet F. Ashaboğlu, and the Chairman of the Board of Directors, Ragıp Ersin Akarlılar were each paid TL 11,000 in net monthly honoraria. Board member Seymur Tanı has waived his honorarium receivables with a written application he filed with the Company and therefore is not paid any honorarium.

Revision of the net monthly honorarium of TL 11,000 paid to independent Board members, Nevzat Aydın and Ahmet F. Ashaboğlu, and the Chairman of the Board of Directors, Ragıp Ersin Akarlılar to TL 12,600, beginning the month following the General Assembly meeting, will be submitted to the general assembly for approval.

No loans or other credits are extended to the Board members by the Company, which also does not grant any guarantees or other collateral in their favor.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Corporate Governance Compliance Report

	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2-Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1-Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2-The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7-Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders’ Meeting.					X	There was no notification made regarding such a transaction.
1.3.8-Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders’ Meeting.	X					
1.3.10-The agenda of the General Shareholders’ Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				The agenda of the General Shareholders’ Meeting included a separate item for the total amount of the donations and contributions made in 2020, details of the beneficiaries have not been specified.
1.3.11-The General Shareholders’ Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					

	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.4. VOTING RIGHTS						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2-The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	No cross ownerships exist that are associated with a controlling relationship within our Company.
1.5. MINORITY RIGHTS						
1.5.1-The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.				X		Minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the general framework of the regulations
1.6. DIVIDEND RIGHT						
1.6.1-The dividend policy approved by the General Shareholders’ Meeting is posted on the company website.	X					
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3-The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4-The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1-There are no restrictions preventing shares from being transferred.						

Corporate Governance Compliance Report

	Yes	Partial	No	Exempted	Not Applicable	Explanation
2.1. CORPORATE WEBSITE						
2.1.1-The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4-The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2-The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1-The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.		X				Policies such as Dividend Distribution, Disclosure, Remuneration, Compensation, Code of Conduct, Information Security, Anti-bribery and Anti-corruption Policies that address rights are published on the company's website, other procedures are published via the internal disclosure platform Maviletişim.
3.1.4-A whistleblowing programme is in place for reporting legal and ethical issues.	X					

	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2-Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1-The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2-Recruitment criteria are documented.	X					
3.3.3-The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4-Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5-Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6-Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7-Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8-The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9-A safe working environment for employees is maintained.	X					

Corporate Governance Compliance Report

	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2-Customers are notified of any delays in handling their requests.	X					
3.4.3-The company complied with the quality standards with respect to its products and services.	X					
3.4.4-The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1-The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1-The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2-The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4- Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5-The roles of the Chairman and Chief Executive Officer are separated and defined.	X					

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8-The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.	X					
4.3.10-At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3-The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	Although there is the possibility to present an opinion in such a case, there has not been any notification made by the BoD members who could not attend the meetings.
4.4.4-Each member of the board has one vote.	X					
4.4.5-The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					

Corporate Governance Compliance Report

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				While Board members are required to pay sufficient time to the Company's affairs, there is no restriction on their duties outside of the Company. Considering the significant contribution Board members make to Mavi's Board of Directors with their professional and sector specific experience, imposing restrictions on their external duties is not deemed necessary. Prior to each General Assembly, the curricula vitae of the Board members and their duties external to the Company are submitted for the attention of shareholders.
4.5. BOARD COMMITTEES						
4.5.5-Board members serve in only one of the Board's committees.			X			Mavi has determined the number of its independent Board members at two. In so doing, the Company considered various factors such as the volume of its operations and its administrative needs. Currently, the Board has three committees. In respect of the principle requiring committee chairs to be independent members, it is necessary to delegate multiple committee chairs to the independent members. This does not give rise to any conflict of interest within the Company.
4.5.6-Committees have invited persons to the meetings as deemed necessary to obtain their views.					X	In accordance with the working principles of the committees, the committees may make use of the opinions of the independent experts. During the past year, no such request was brought up by the committees.
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.					X	There has not been any external consultancy services used.
4.5.8-Minutes of all committee meetings are kept and reported to board members.	X					

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			No specific study was conducted at board level regarding performance evaluation.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.		X				
4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.			X			The General Assembly determines remuneration rates payable to members of Mavi's Board of Directors. In line with general practice, total amount of remunerations of Board members and senior executives are disclosed to the public in the Company's financial table footnotes.

Corporate Governance Information Form

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	Investor Relations Department attended 15 virtual investor conferences meeting local and international investors and held over 200 teleconferences. At these events and meetings, the Company had contact with 360 investors and analysts from 130 local or international institutions.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	-
The number of special audit requests that were accepted at the General Shareholders' Meeting	-
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/850854
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Yes
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such transaction
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/tr/Bildirim/850131
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/tr/Bildirim/850131
The name of the section on the corporate website that demonstrates the donation policy of the company	Corporate Governance - Policies and Ethics
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/680430
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	There is no provision in the AoA. This issue is governed in the General Assembly Internal Directive
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	According to the internal directive, press members, guests that have been invited by the management and other persons for whom the Meeting Chairman permits can attend the General Meetings
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	% 9,06

1.5. Minority Rights	No
If yes, specify the relevant provision of the articles of association.	
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Corporate Governance - Policies and Ethics
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	Agenda Item No:9 -The Board of Directors' dividend payment proposal on non-distribution of the net distributable profits of the year 2019 for the purpose and reason of supporting the required liquidity of the Company by taking into account the impact of COVID-19 pandemic conditions on the activities of the Company has been approved.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/860098

GENERAL ASSEMBLY MEETINGS

General Meeting Date	16/07/2020
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
Shareholder participation rate to the General Shareholders' Meeting	% 69,9
Percentage of shares directly present at the GSM	% 0,0000003
Percentage of shares represented by proxy	% 69,9
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Corporate Governance / General Assembly
Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	Corporate Governance / General Assembly
The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	-
The number of declarations by insiders received by the board of directors	0
The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/tr/Bildirim/860098

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Financial Reports and Presentations, Annual Report, Announcements, Corporate Governance
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Corporate Governance -Shareholder Structure and Subsidiaries
List of languages for which the website is available	Turkish, English

Corporate Governance Information Form

2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Corporate Governance Compliance Report, 2018 AR -page 202-203 - Statements of Independence
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Annual Report Corporate Governance Section
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Annual Report Corporate Governance Section
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Annual Report Corporate Governance Section - Legal Disclosures
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Annual Report Corporate Governance Section- Legal Disclosures
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	There is no such case
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Annual Report Corporate Governance Section - Legal Disclosures
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Annual Report Sustainability Section
3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Corporate Governance - Policies and Ethics
The number of definitive convictions the company was subject to in relation to breach of employee rights	-
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Ethics Board
The contact detail of the company alert mechanism	Ethic line: 212 979 70 09 e-mail: mavi@etikhat.com Web site: www.remedetikhat.com.tr user name: MAVİ; passcode: Mavi1991

3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Internal regulation does not have a public link on company website
Corporate bodies where employees are actually represented	GoMavi, Masmavi, Management Forum, Marketing Direction, GoSeason meetings, GoWellness Work Group and Occupational Health and Safety Board
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Within Mavi Succession Policy the Board of Directors approve the succession plan for top level management
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Annual Report - Sustainability Approach Section
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Corporate Governance - Policies and Ethics - Mavi Code of Conduct
The number of definitive convictions the company is subject to in relation to health and safety measures	-
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Corporate Governance - Policies and Ethics
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Annual Report - Sustainability Approach Section
Any measures combating any kind of corruption including embezzlement and bribery	Anti-Bribery and Anti-Corruption Procedure outlines the related issues
4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	No delegation was made among the board members
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	6
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Annual Report Corporate Governance Section
Name of the Chairman	Ragıp Ersin Akarlılar

Corporate Governance Information Form

Name of the CEO	Ahmet Cüneyt Yavuz
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	https://www.kap.org.tr/tr/Bildirim/754392
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	1 board member - 1/6

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Ragıp Ersin Akarlılar	Non executive	Not independent director	12/01/1994	-	Not applicable	Not applicable	Not applicable
Ahmet Cüneyt Yavuz	Executive	Not independent director	22/03/2017	-	Not applicable	Not applicable	Not applicable
Seymur Tarı	Non executive	Not independent director	01/08/2008	-	Not applicable	Not applicable	Not applicable
Fatma Elif Akarlılar	Executive	Not independent director	12/01/1994	-	Not applicable	Not applicable	Not applicable
Ahmet Fadıl Ashaboğlu	Non executive	independent director	17/07/2017	https://www.kap.org.tr/tr/Bildirim/672565	Considered	No	Yes
Nevzat Aydın	Non executive	independent director	17/07/2017	https://www.kap.org.tr/tr/Bildirim/672565	Considered	No	No)

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	The meeting were held virtually given the COVID-19 conditions. 13 meeting were held.
Director average attendance rate at board meetings	% 100
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	5 working days
The name of the section on the corporate website that demonstrates information about the board charter	There is no public link available for the internal board charter document
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	There is no such policy
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	Annual Report Corporate Governance Section
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/627118

Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee		Ahmet F. Ashaboğlu	Yes	Board member
Audit Committee		Nevzat Aydın	No	Board member
Committee of Early Detection of Risk		Ahmet F. Ashaboğlu	Yes	Board member
Committee of Early Detection of Risk		Ragıp Ersin Akarlılar	No	Board member
Committee of Early Detection of Risk		Bige İşcan Aksaray	No	Not board member
Corporate Governance Committee		Nevzat Aydın	Yes	Board member
Corporate Governance Committee		Ragıp Ersin Akarlılar	No	Board member
Corporate Governance Committee		Duygu İnceöz	No	Not board member

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report Corporate Governance Section
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report Corporate Governance Section
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report Corporate Governance Section
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report Corporate Governance Section
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report Corporate Governance Section
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Annual Report Corporate Governance Section
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Corporate Governance - Policies and Ethics
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Annual Report Corporate Governance Section

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	Percentage Of Non-executive Directors	Percentage Of Independent Directors In The Committee	Number Of Meetings Held In Person	Number Of Reports On Its Activities Submitted To The Board
Audit Committee		100%	100%	4	8
Committee of Early Detection of Risk		66,6%	33,3%	4	6
Corporate Governance Committee		66,6%	33,3%	2	2

LEGAL DISCLOSURES

Company Information and Shareholding Structure

Trade Name	: Mavi Giyim Sanayi Ve Ticaret A.Ş.
Address	: Sultan Selim Mah. Eski Büyükdere Cad. No:53 34418 Kağıthane/İSTANBUL
Trade Registry and number	: Istanbul Trade Registry Directorate / 309315
Web address	: www.mavi.com , www.mavicompany.com, www.maviyatirimciliskileri.com
Registered Capital	
Ceiling	: TL 245,000,000
Issued Capital	: TL 49,657,000
BIST Code	: MAVI

Information On Extraordinary General Assembly Meetings During The Year, If Any

No Extraordinary General Assembly Meeting was held during the year.

Subsidiaries Report

Pursuant to Article 199, paragraphs (1) through (3) of the Turkish Commercial Code No.6102, within the first three months of the fiscal year, the Board of Directors of Mavi is obligated to issue a report regarding the relations of Mavi during the past fiscal year with the controlling shareholders of Mavi and the subsidiaries of such controlling shareholders.

As stated in this Subsidiaries Report, issued by Mavi's Board of Directors on March 30, 2021, it has been concluded that with respect to all transactions carried out between Mavi on one side and Mavi's controlling shareholders and their subsidiaries on the other side during the accounting period of February 1,2020 – January 31,2021, the consideration received in each transaction was appropriate under the conditions and circumstances then known to Mavi, there were no measures that should have been taken or avoided that could give rise to damages to be suffered by Mavi, and accordingly, there were no measures or actions to be taken for the purpose of compensation.

Information on Lawsuits Filed Against Mavi that Could Materially Affect the Financial Standing and Activities of the company and Potential Outcome of Such Lawsuits

No lawsuit has been filed against Mavi that could materially affect the Company's financial standing or activities.

Disclosures Regarding Administrative And Judicial Sanctions Imposed On The Company And Its Board Members Due To Acts Violating Applicable Legislation

There is no administrative or judicial sanction imposed on Mavi or its Board Members due to acts violating the applicable legislation.

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

No amendments were made to the articles of association in the special accounting period of February 1,2020 – January 31,2020

Disclosures Regarding the Private And Public Audits Conducted In the Reporting Period

A tax inspection for the accounting period between 01.02.2017-31.01.2018 has been initiated by the Turkish Ministry of Treasury and Finance Tax Inspection Board during the special accounting period of 01.02.2019-31.01.2020 and the process for this review is ongoing.

Information Regarding the Company Shares Acquired

The Company has not acquired any of its own shares in the special accounting period of February 1,2020 – January 31,2021.

Review Under Article 376 of the Turkish Commercial Code

Upon review of whether or not Mavi's capital was preserved and not lost as per Article 376 of the Turkish Commercial Code, it has been established that as of January 31, 2021, Mavi's issued capital of TL 49,657,000 was well preserved, with the main shareholder having a shareholder's equity of TL 509,792,000 and with a net financial indebtedness/ equity of 0.07, Mavi's indebtedness level was adequate for the continuation of its activities in a sound and safe manner.

BOARD OF DIRECTORS



Ersin Akarlılar / Chairman



Seymur Tarı / Vice Chairman



Cüneyt Yavuz / Member



Elif Akarlılar / Member



Ahmet F. Ashaboğlu / Independent Member



Nevzat Aydın / Independent Member

Board of Directors' Resumes

Ersin Akarlılar | Chairman

Ersin Akarlılar holds a bachelor's degree in Economics from Boğaziçi University and an MBA in finance and international business from New York University, Leonard N. Stern School of Business. He joined Mavi in 1991 and was elected as a member of Mavi's Board of Directors in August 2008. Ersin Akarlılar, who has been the chairman of the Company since July 2017, currently serves as President at Mavi USA, which he established in 1996 in New York City.

Seymur Tarı | Vice Chairman

Seymur Tarı holds an MBA from INSEAD and an MSc and BSc in Mechanical Engineering and Robotics from ETH Zurich. Tarı, currently the CEO at Turkven, previously worked for McKinsey & Company's Istanbul office and at Caterpillar Inc. in Geneva. Tarı is currently a Board member at Elif Plastik, Medical Park, Mavi, and Flo.

Cüneyt Yavuz | Member

Cüneyt Yavuz, who holds a bachelor's degree in Political Science from Boğaziçi University and a graduate degree in International Relations from Johns Hopkins University, started his professional career in 1992 at Procter & Gamble where he held various senior sales and marketing management positions. During his tenure, he was appointed Country Manager for Poland in 2003 and lived in Warsaw for five years. Cüneyt Yavuz joined Mavi in 2008 as Chief Executive Officer and is a member of the Board of Directors since March 2017.

Elif Akarlılar | Member

Elif Akarlılar, who holds an undergraduate degree in International Politics from the University of Vienna and an MA in Visual Culture and History of Design from New York University, joined Mavi in 1991 and prior to her appointment as global brand director, she held various product development and brand management positions within the Mavi organizations in Istanbul and New York City. Elif Akarlılar continues to serve as a member of the Board of Directors since August 2008.

Ahmet F. Ashaboğlu | Independent Member

Mr. Ashaboğlu holds a BSc degree from Tufts University and a Master of Science degree from Massachusetts Institute of Technology (MIT), both in Mechanical Engineering. He began his career as a Research Assistant at MIT in 1994, followed by various positions in capital markets within UBS Warburg, New York (1996-1999). After serving as a management consultant at McKinsey & Company, New York (1999-2003), Ahmet Ashaboğlu moved back to Turkey and joined Koç Holding as Finance Group Coordinator in 2003. He has been serving as Group Chief Financial Officer (CFO) at Koç Holding since 2006. Ahmet Ashaboğlu was elected to the Board of Directors of Mavi as a member in July 2017.

Nevzat Aydın | Independent Member

Nevzat Aydın is the co-founder and CEO of yemeksepeti.com, the first and largest online food delivery portal in Turkey. Nevzat Aydın (born 1976), who holds a computer engineering degree from Boğaziçi University, attended University of San Francisco for an MBA in Silicon Valley and later returned to Turkey to launch his "yemeksepeti.com" project. In May 2015, yemeksepeti was acquired by the global industry leader Delivery Hero with the biggest valuation ever in Turkish Internet history. Nevzat Aydın was among the 150 entrepreneurs invited from all around the world to the Entrepreneurship Summit held by the US President Barack Obama in April 2010. He was named number one on Fortune's "40 Under 40" list in 2013 and 2015. As an active angel investor, he currently has over 40 investments, worth a total of \$20 million.

Mr. Aydın is currently the Chairman of GEN Turkey (Global Entrepreneurship Network), a Board member of Endeavor, TOBB (Union of Chambers and Commodity Exchanges of Turkey) Young Entrepreneurs, and American

Turkish Society, and a member on the Board of Trustees of Boğaziçi University. He is a founding member of Galata Business Angels and Wtech Women in Technology Association. He also serves as an independent Board member of Mavi.

Executive Management Resumes

Cüneyt Yavuz | CEO

Cüneyt Yavuz, who holds a bachelor's degree in Political Science from Boğaziçi University and a graduate degree in International Relations from Johns Hopkins University, started his professional career in 1992 at Procter & Gamble where he held various senior sales and marketing management positions. During his tenure, he was appointed Country Manager for Poland in 2003 and lived in Warsaw for five years. Cüneyt Yavuz joined Mavi in 2008 as Chief Executive Officer and is a member of the Board of Directors since March 2017.

Elif Akarlılar | Chief Brand Officer

Elif Akarlılar, who holds an undergraduate degree in International Politics from the University of Vienna and an MA in Visual Culture and History of Design from New York University, joined Mavi in 1991 and prior to her appointment as global brand director, she held various product development and brand management positions within the Mavi organizations in Istanbul and New York City. Elif Akarlılar continues to serve as a member of the Board of Directors since August 2008.

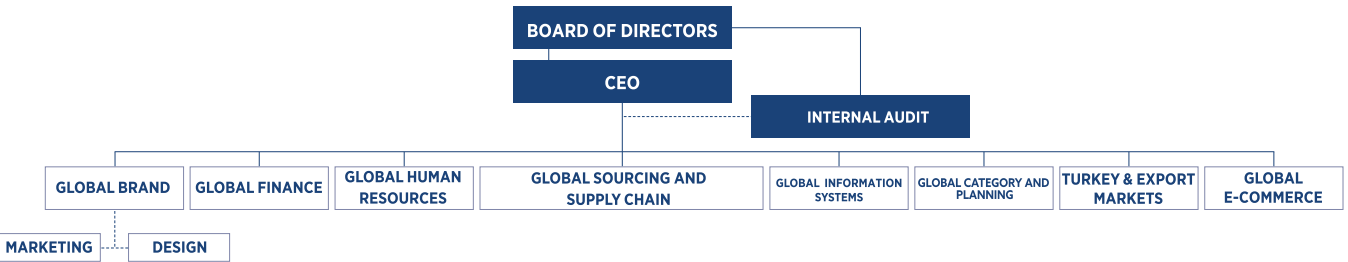
Bige İşcan Aksaray | CFO

Bige İşcan Aksaray holds a bachelor's degree in Economics from Bogaziçi University and an MBA from Boston University. She started her professional career at EY's Istanbul office (1991) and later joined Procter & Gamble (Gillette) as a financial analyst (1993), serving in various management positions in the company's Istanbul and London offices, and finally as Regional Finance & Treasury Manager, Turkey, the Balkans and the Mediterranean Hub. She then joined Avon Turkey (2005) as Finance Director, later serving as Executive Finance Director - Turkey, North Africa & Middle East. She was appointed CFO at Mavi in 2019.

Okan Gürsan | Chief Commercial Officer (Turkey & Export Markets)

Okan Gürsan holds a bachelor's degree in Economics (in English) from Dokuz Eylül University, and graduate degrees in Business Administration from the Georgia Tech and Bilgi Universities. Mr. Gürsan started his career in 2001 at Ernst & Young and went on to work in various audit, finance, and sales and marketing roles from 2004 onward for 11 years at Coca-Cola America, Turkey and Azerbaijan. After joining Boyner Group in 2015 and serving in senior management positions at Beymen and Boyner, Okan Gürsan became part of the Mavi family in 2018 as Chief Commercial Officer (Turkey & Export Markets)

ORGANIZATIONAL CHART AND CHANGES DURING THE REPORTING PERIOD



BOARD OF DIRECTORS' VIEW

Board of Directors' Evaluation of the Financial Performance and the Operational Results in the fiscal year 2020

The COVID-19 outbreak, which the World Health Organization (WHO) declared a pandemic on March 12, 2020, impacted the operations of Mavi in multiple aspects. In line with the travel restrictions imposed worldwide and the social distancing rules implemented globally to prevent and control infections, Mavi temporarily closed all its stores in Turkey, Germany, and Canada on March 19, 2020 and all the stores in Russia on March 29, 2020 until the operations began to resume on June 1, 2020.

In this period, the company made urgent plans to ensure business continuity, updated sourcing plans as part of inventory management and decided to postpone or cancel orders in full cooperation with the suppliers, revised its operational expenses and investment expenditures, and utilized necessary bank loans to ensure uninterrupted cash flow in line with various scenarios. The company also followed the government stimulus packages in the countries where it operates and benefited from such support. Mavi managed the entire process transparently, maintaining open communication with all the stakeholders. Once the stores reopened, customer traffic remained low at around 35-40% for the rest of the year. However, with the rise in the number of COVID-19 cases globally, many of the restrictions returned in the last quarter of the year and Turkey began to impose weekend lockdowns. Despite all these challenges, Mavi's strong brand recognition, active communication strategy, and the advantage of having a sporty-casual product range resulted in higher conversion rates and increased basket size, keeping sales losses relatively limited. The e-commerce sales that maintained strong performance throughout the year also reflected positively on the operating results.

In the fiscal year 2020 ended on January 31, 2021:

- The Group's consolidated sales shrank by 16% year-on-year due to the impact of the COVID-19 pandemic, amounting to TL 2.402 billion.
- The gross profit margin was preserved to a great extent with 48.3%.
- EBITDA decreased by 39% year-on-year, dropping to TL 392 million with an EBITDA margin of 16.3%.
- Net indebtedness, which was TL 9 million as of January 31, 2020 rose to TL 37 million by January 31, 2021 with a Net Debt/EBITDA ratio of 0.17x.
- Capital expenditures, which included new store openings, expansion of existing stores and technology investments, amounted to TL 101.3 million, with investment expenditures constituting 4.2% of sales revenues.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The COVID-19 pandemic proved that highly resilient and adaptable organizations are affected less severely by the global crises with the new leadership skills that they develop. Managing the risks in an integrated manner by including both the financial risks and non-financial risks such as climate change in particular improves the

companies' competitiveness and resilience. The major risks that the company is exposed to are categorized under four main headings: financial risks (exchange rate, liquidity, loans, interest rates and commodity prices), reputation risks, operational and strategic risks, and legal risks. The Early Identification of Risk Committee and the Board of Directors are periodically briefed about such risks.

The Board of Directors creates and periodically reviews the effectiveness of the risk management and internal control systems to identify the risks that could affect the company's stakeholders and especially the shareholders and minimize the impact and probability of such risks. At Mavi, responsibility for risk management and reporting is led by the Global Finance Department in coordination with other relevant departments. A global perspective is adopted in Corporate Risk Management activities and Mavi Risk List is created by considering all the risks that concern Mavi and its subsidiaries and affiliates. Senior management of the Company prioritized the risks in the list according to their impact and probability and completed the work required to monitor the risks with high scores through Critical Risk Indicators and action plans. The risk management reports were generated to monitor and manage the risks detected by the Corporate Risk Management System in coordination with the Internal Audit department, and the relevant risks were included in the audit plan. All audits were conducted in accordance with this plan.

The major risks that the company is exposed to are categorized under four main headings: financial risks (exchange rate, liquidity, loans, interest rates, and commodity prices), reputation risks, operational and strategic risks, and legal risks. The Early Identification of Risk Committee and the Board of Directors are periodically briefed about such risks.

Financial Risks

The exchange rate risks that could arise from the changes in the value of Turkish Lira against currencies such as US dollar, Euro, Russian ruble and Canadian dollar with respect to assets and liabilities in such currencies, and liquidity and cash flow issues in line with working capital requirements are among the key financial risks. Aiming to keep financial risks under control, various financial indicators, including Net Financial Debt/EBITDA and liquidity ratios, foreign exchange position, maturity and distribution of debt are monitored both on company basis and also on consolidated and combined basis, ensuring that they are maintained within specified limits. In managing foreign exchange risk, natural hedges are preferred while financial hedge instruments related to commodity imports are also utilized regularly and systematically. In the fiscal year 2020, all foreign currency liabilities on the balance sheet were hedged with natural and financial hedge instruments in line with the decision to minimize open position on the balance sheet.

Macroeconomic developments such as slowing economic growth, decline in consumer confidence index and tighter consumer spending are also considered among financial risks. To detect the risks that may arise in such conditions early on, the Company monitors specific macroeconomic indicators regularly and has defined strategic policies such as not exceeding minimum liquidity levels, keeping indebtedness levels low and having adequate and diverse credit lines.

Operational and Strategic Risks

Operational Risks

Key operational risks include failing to realize expansion plans due to inability to secure required retail space, the need to increase operating capital due to ineffective inventory management and decline in profitability, disruption or halting of suppliers' services. Mavi introduces continuous improvements in all its systems to increase efficiency of its operational processes. For this purpose, a project team (Go Operations) operating across functions has been established and working toward concrete measurable targets for the last three years.

Strategic Risks

Key strategic risks include the issues and decisions that can adversely affect the future existence and sustainability of the company such as material mistakes in assumptions and measurements in short-, medium- and long-term business plans, making insufficient investments or misguided investments, and failing to anticipate evolving consumer preferences, fashion trends and the competitive landscape. Mavi creates three-year strategic roadmaps, with the first year in detail and subsequent two years in macro scale, and annually reviews and updates this roadmap in light of the latest developments.

Mavi exercises due diligence in selecting the markets where it will operate strategically and avoids direct investments in risky geographical zones. The Company's R&D and innovation culture serves to maintain its competitive strength.

Reputation Risks

Within the scope of the franchise activities that are not directly under the Company's control, failure of the dealers and wholesalers to act in accordance with the Company's product quality, pricing and marketing strategy and other conditions, social and/or environmental violations across the product lifecycle from production to sales caused by suppliers, dealers, sales teams or support staff that may harm brand image are among reputation risks. For this purpose, the Company has incorporated relevant provisions that impose various obligations into the agreements and established control and audit processes for compliance.

Legal Risks

Legal regulations and changes that may decrease competitive strength, social, legal or political instability or material legislative changes that may adversely affect trade with countries of operation or sourcing, security breaches that may result in third party access to customer information, environmental law, trade regulations, personal data protection legislation, occupational health and safety, and failure to comply with statutory and other regulatory provisions within the scope of consumer protection issues are considered legal risks.

Non-financial Risks

The World Economic Forum's (WEF) 2021 Global Risks Report perceives "extreme weather, climate action failure and human-led environmental damage as well as digital power concentration, digital inequality and cybersecurity failure among the highest likelihood risks of the next ten years". For the first time since 2006, infectious diseases are in the top spot among the highest impact risks of the next decade.

Meanwhile, investors include environmental, social and governance (ESG) factors in their decision-making mechanisms more and more every day. Integrating the non-financial risks into risk management with a holistic view and disclosing the targets and performance transparently through the ESG policies increase the competitive advantage of companies. Mavi, with its accelerated sustainability efforts, aims to identify its non-financial risks in 2021 and integrate them into the enterprise risk management system.

Assessment of the Internal Control System and Internal Audits

The Internal Audit Department, established during the public offering process in 2017, reports directly to the Audit Committee, which consists of members of the board of directors, within the organizational structure of the company in accordance with the principle of independence.

The Internal Audit Department's duties include checking the reliability and accuracy of the financial statements of the company and its subsidiaries, ensuring that the activities are carried out in accordance with applicable laws and accepted ethical codes of the company, analyzing processes and identifying current and potential risks to improve the effectiveness and efficiency of operations, and contributing to finding solutions to minimize such risks.

The Internal Audit Department reviews the processes every year and creates a risk-focused annual audit plan. The internal audit activities are carried out in line with this plan.

The Board of Directors establishes internal control mechanisms by considering the views of relevant board committees in a manner to include risk management information systems and processes, which can mitigate the effects of risks that may have an impact on the interests of stakeholders, and shareholders in particular. The Internal Control System is composed of standard definitions, job descriptions, authorization system, and policies and written procedures included in the workflows. The senior management of the Company and its subsidiaries hold responsibility for ensuring that the internal control mechanisms function. The Internal Control System is periodically reviewed and audited by the Internal Audit Department for effectiveness. The Audit Committee is regularly briefed about the Internal Control System and internal audits.

TO THE BOARD OF DIRECTORS OF MAVİ GİYİM SANAYİ VE TİCARET ANONİM ŞİRKETİ RELATED PARTY TRANSACTIONS REPORT

In accordance with "Principles on Related Party Transactions" dated 13.04.2017 and numbered 2017/15 and "Audit Committee Working Principles" dated 24.05.2017 and numbered 2017/28 approved by the Board of Directors of Mavi Giyim Sanayi ve Ticaret A.Ş. ("Company"),

- (1) the Audit Committee, at the quarterly meetings held following the announcement of the respective quarterly financials, shall review annually board-approved frequent and continuous related party transactions which were conducted during the relevant quarter,
- (2) the Audit Committee, following its annual review of the related party transactions, shall provide a report to the Board of Directors regarding such transactions,
- (3) the Board of Directors shall incorporate this report into the Company's annual activity report.

Based on the above internal regulations, we have reviewed actual implementations and practices observed during the period of 01.02.2020-31.01.2021 with regard to the "Frequent and Continuous Related Party Transactions Planned to be Conducted During the Special Accounting Period of 01.01.2020-31.01.2021" approved by the Board of Directors Resolution dated 15.09.2020 and numbered 2020/49 ("General Resolution of the Board of Directors") by analyzing the management reports and the tables annexed to these reports. As a result of the analysis, we observe that;

- (1) the frequent and continuous related party transactions by and between the Company, its subsidiaries and the related parties stated in the General Resolution of the Board of Directors were conducted,
- (2) with respect to the frequent and continuous related party transactions which were conducted between 01.02.2020-31.01.2021; it has been determined that there are some differences between the "estimated transaction volumes" stated in the General Resolution of the Board of Directors and the "actual transaction volumes", and that the explanations, provided by the management of the Company in respect of the justifications for such differences, have been deemed satisfactory,
- (3) the terms and conditions governing frequent and continuous related party transactions, as well as the methods and procedures, indicated to be used for measuring whether such transactions are conducted at arm's length or not, were all implemented between 01.02.2020-31.01.2021.

With respect to any and all information and documentation submitted to us; we couldn't find any substantial matter during the period of 01.02.2020-31.01.2021 that might be against the General Resolution of the Board of Directors.

Audit Committee

RESPONSIBILITY STATEMENT FOR FINANCIAL STATEMENTS

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

Regarding the financial statements pertaining to the special accounting period from February 1, to January 31, 2021, which were prepared by the Company and audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with the Turkish Accounting Standards/Turkish Financial Reporting Standards and formats determined by the Capital Markets Board (CMB) in accordance with CMB's Communiqué on Principles of Financial Reporting in Capital Markets ("Financial Reporting Communiqué") II.14.1 including the consolidated statement of financial position, comprehensive income statement, statement of cash flow and statement of changes in equity as well as notes to year-end financial statements, we hereby declare our responsibility for the following:

- We have examined the financial statements,
- Within the frame of information that we hold in our fields of duty and responsibility in the Company, the financial statements do not contain any untrue statement on material events or any deficiency, which may make them misleading as of the date of statement,
- Within the frame of information that we hold in our fields of duty and responsibility in the Company, the financial statements prepared pursuant to the Financial Reporting Communiqué - together with those covered by consolidation - fairly reflect the truth relating to assets, liabilities, financial statements, profits and losses of the Company.

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

RESPONSIBILITY STATEMENT FOR THE ANNUAL REPORT

**RESPONSIBILITY STATEMENT FOR THE ANNUAL REPORT PURSUANT
TO CAPITAL MARKET BOARD’S COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING
IN CAPITAL MARKETS (II-14.1) ARTICLE 9**

Regarding the Annual Report prepared by the Company for the special accounting period from February 1, 2020 to January 31, 2021 and audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. which includes Corporate Governance Compliance Report and Corporate Governance Information Form and the Company’s disclosures in line with the CMB’s Sustainability Principles Compliance Framework and which is in compliance with the Turkish Commercial Code and Capital Markets Board’s (CMB) “Communiqué on Principles of Financial Reporting in Capital Markets” (“Communiqué”) II.14.1, we hereby declare our responsibility for the following:

- We have examined the Annual Report,
- Within the frame of the information that we hold in our fields of duty and responsibility in the Company, the Annual Report does not contain any untrue statement on material events or any deficiency, which may make them misleading as of the date of the statement,
- Within the frame of the information that we hold in our fields of duty and responsibility in the Company, the Annual Report fairly reflect the progress and performance of the business and the financial situation of the entity – together with the financial situation of the consolidated entities – along with material risks and uncertainties encountered by the Company.

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



Independent Auditors Report & Consolidated Financial Statements

12

AUDITORS REPORT & CONSOLIDATED FINANCIAL STATEMENTS

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

**Consolidated Financial Statements As At and For The Year Ended
January 31, 2021
With Independent Auditor's Report on
Consolidated Financial Statements Thereon**

15 March 2021

This report includes 6 pages of independent auditor's report and 81 pages of consolidated financial statements together with their explanatory notes.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mavi Giyim Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 January 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 January 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p>Right of use assets amounting to TL 435,019 thousand and lease liabilities amounting to 478,618 thousand TL were recognized in the consolidated financial statements as of 31 January 2021.</p> <p>The amounts recognized as a result of the application of TFRS 16 are significant in terms of consolidated financial statements and the issue of determining the accounting policies depends on the Group management's choices. In addition, the calculation of the right-of-use assets and related lease liabilities includes important estimates and assumptions of the management. The most important of these assumptions are the evaluation of the options for extending the lease terms, early termination, and interest rate.</p> <p>Considering the aforementioned reasons, the effects of the application of TFRS 16 on the consolidated financial statements and the notes related to the consolidated financial statements have been identified as an important issue for our audit.</p> <p>Please refer to notes 2.5, and 14 to the consolidated financial statements for the relevant disclosures, including the accounting policy and related amounts.</p>	<p>We performed the following procedures in relation to TFRS 16 and evaluation of the significant estimates and assumptions:</p> <p>Understanding and evaluating the important processes affecting financial reporting regarding the TFRS 16 Standard.</p> <p>Testing the reports received from the system for the completeness of the contract lists.</p> <p>Recalculation of the right of use assets and lease liabilities, which are accounted for in the consolidated financial statements by taking into account the lease contracts within the scope of TFRS 16.</p> <p>Audit of the appropriateness of the rent increase rate, interest rates etc. used in these calculations.</p> <p>To check the appropriateness of the evaluation of the matters related to the duration of the lease contracts and the extension options used in these calculations by selecting the sample contracts subject to the calculation of the right-of-use assets and the lease liabilities.</p> <p>Through involvement of our internal TFRS 16 specialists, assessing the reasonableness of interest rates, extension options.</p> <p>Testing of the disclosures in the consolidated financial statements in relation to TFRS 16 and evaluating the adequacy of these disclosures for TFRS 16 requirements.</p>

Key Audit Matter	How the matter was addressed in the audit
<p>The key audit matter</p> <p>The Group's inventories include a risk of impairment due to changes in consumer demands and fashion trends.</p> <p>The provision for the impairment of inventories has been identified as one of the key audit matters since the inventory balance is significant in the consolidated financial statements and computation of inventory impairment provision involves management judgments and estimates.</p>	<p>Our audit procedures for testing the impairment on inventories included the following:</p> <p>Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance,</p> <p>Inquiry with the Group management about the risk of impairment as a result of changes in customer demands and fashion trends,</p> <p>Comparison of current inventory turnover rates to prior periods,</p> <p>Evaluation of adequacy of the provision for impairment on inventories through comparing with prior periods,</p> <p>Evaluation of the accuracy and completeness of the inventory reports which are used to calculate the provision for inventories,</p> <p>Testing the net selling prices used in the calculation of the net realizable value of inventories on a sample basis,</p> <p>Observation of obsolete and damaged inventories during the inventory counts,</p> <p>The disclosures in the consolidated financial statements in relation to the inventory impairment provision is tested and the adequacy of such disclosures are evaluated.</p>

Other Information

Management is responsible for the other information. The other information comprises the Appendix 1 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 opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit 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.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 January 2020 were audited by another auditor who expressed an unqualified opinion on 12 March 2020.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cem Tovil.

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



Cem Tovil
Partner

Istanbul, 15 March 2021

Table of Contents

Consolidated Statements of Financial Position	1-3
Consolidated Statements of Profit or Loss and Other Comprehensive Income	4-5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the consolidated financial statements	8-81

Note	Disclosure	Pages
1	Reporting entity	202
2	Basis of presentation of financial statements	203-234
3	Operating segments	235
4	Cash and cash equivalents	236
5	Loans and borrowings	237-240
6	Related party	240-242
7	Trade receivables and payables	243-244
8	Other receivables and payables	245-246
9	Inventories	246-247
10	Prepayments and deferred revenues	247-248
11	Property and equipment	248-249
12	Intangible assets	250
13	Goodwill	251-252
14	Right of use assets	253
15	Provisions, contingent assets and liabilities	254-255
16	Commitments	256-258
17	Employee benefits	259
18	Payables to employees	259
19	Other assets and liabilities	260
20	Capital, reserves and other capital reserves	260-262
21	Revenue	262
22	Cost of sales	263
23	Administrative expenses, selling and marketing expenses	263-264
24	Research and development expenses	264
25	Other income and expense	265
26	Gains and losses from investment activities	266
27	Expenses by nature	266-267
28	Finance income	267
29	Finance costs	268
30	Income taxes	268-275
31	Earnings per share	276
32	Derivatives	276
33	Financial instruments	276-278
34	Nature and level of risks related to financial instruments	279-287
35	Financial risk management	288
36	Movement of cash flow used in financing activities	289
37	Important developments related to the current period	289
38	Subsequent events	289
Supplementary Information		
Appendix 1	Ebitda Reconciliation	290
Appendix 2	Effect of IFRS 16 on Financial Statements	291

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries Consolidated Statements of Financial Position As at 31 January 2021

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

	Notes	Audited 31 January 2021	Audited 31 January 2020
ASSETS			
Current assets			
Cash and cash equivalents	4	889,875	310,838
Trade receivables		231,378	231,101
- Due from third parties	7	231,378	231,101
Other receivables		13,288	17,267
- Due from third parties	8	13,288	17,267
Inventories	9	560,084	496,064
Derivatives	32	--	1,214
Prepayments	10	50,326	41,761
- Due from related parties	6	25,869	16,824
- Due from third parties		24,457	24,937
Current tax assets	30	17,738	2,701
Other current assets	19	24,055	17,726
Total current assets		1,786,744	1,118,672
Non-current assets			
Other receivables		3,190	3,207
- Due from third parties	8	3,190	3,207
Property and equipment	11	197,679	180,719
Right of use assets	14	435,019	406,679
Intangible assets		262,718	222,449
- Other intangible assets	12	73,773	68,051
- Goodwill	13	188,945	154,398
Prepayments	10	149	115
- Due from third parties	10	149	115
Deferred tax assets	30	22,251	5,583
Total non-current assets		921,006	818,752
TOTAL ASSETS		2,707,750	1,937,424

The accompanying notes from an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Financial Position (continued)
As at 31 January 2021

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

	Notes	Audited 31 January 2021	Audited 31 January 2020
LIABILITIES			
Current liabilities			
Short term borrowings	5	445,406	74,748
Short term contractual lease liabilities	5	218,574	197,954
- Due to related parties	6	2,047	1,553
- Due to third parties		216,527	196,401
Short portion of long term borrowings	5	375,566	160,946
Trade payables		638,195	597,283
- Due to related parties	6	156,296	196,804
- Due to third parties	7	481,899	400,479
Payables to employees	18	38,863	34,714
Other payables		4,047	6,971
- Due to related parties	6	176	126
- Due to third parties	8	3,871	6,845
Deferred revenue	10	18,150	18,917
Provisions		19,813	16,565
- Provisions for employee benefits	15	4,144	3,118
- Other provisions	15	15,669	13,447
Derivatives	32	8,601	--
Current tax liabilities	30	6,307	6,935
Other current liabilities	19	12,484	7,992
Total current liabilities		1,786,006	1,123,025
Non-current liabilities			
Loans and borrowings	5	105,569	84,098
Long term contractual lease liabilities	5	260,044	240,769
- Due to related parties	6	2,189	3,229
- Due to third parties		257,855	237,540
Deferred revenue	10	1,425	3,405
Provisions		9,081	7,931
- Provisions for employee benefits	15,17	9,081	7,931
Deferred tax liabilities	30	11,616	532
Total non-current liabilities		387,735	336,735
TOTAL LIABILITIES		2,173,741	1,459,760

The accompanying notes from an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Financial Position (continued)
As at 31 January 2021

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

	Notes	Audited 31 January 2021	Audited 31 January 2020
EQUITY			
Equity attributable to owners of the Company			
Paid in share capital	20	49,657	49,657
Purchase of share of entities under common control		(35,757)	(35,757)
Other comprehensive expense not to be reclassified to profit or loss		(6,245)	(5,337)
Remeasurement of defined benefit liability		(6,245)	(5,337)
Other comprehensive income to be reclassified to profit or loss		134,853	88,960
Foreign currency translation reserve		141,733	88,013
Hedging reserve		(6,880)	947
Legal reserves		19,771	19,771
Retained earnings		342,930	248,086
Net Income		4,583	94,844
Non-controlling interests		24,217	17,440
Total equity		534,009	477,664
TOTAL EQUITY AND LIABILITIES		2,707,750	1,937,424

The accompanying notes from an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the year ended 31 January 2021

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

	Notes	Audited 1 February 2020 – 31 January 2021	Audited 1 February 2019 – 31 January 2020
Revenue	21	2,401,808	2,862,882
Cost of sales	22	(1,241,704)	(1,458,268)
Gross profit		1,160,104	1,404,614
Administrative expenses	23	(173,283)	(161,960)
Selling, marketing and distribution expenses	23	(880,147)	(857,177)
Research and development expenses	24	(33,673)	(25,858)
Other operating income	25	20,542	10,176
Other operating expenses	25	(2,901)	(7,793)
Operating profit		90,642	362,002
Gains from investment activities	26	--	105
Losses from investment activities	26	(1,410)	(913)
Operating profit before finance costs		89,232	361,194
Finance income	28	167,847	8,424
Finance costs	29	(244,602)	(232,093)
Net finance costs		(76,755)	(223,669)
Profit before tax		12,477	137,525
Income tax expense	30	(4,434)	(29,638)
- Tax expense	30	(9,560)	(49,313)
- Deferred tax income	30	5,126	19,675
Net Profit		8,043	107,887
Non-controlling interests		3,460	13,043
Owners of the Company		4,583	94,844
Earnings per share	31	0.0923	1.9100

The accompanying notes from an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the year ended 31 January 2021

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

	Notes	Audited 1 February 2020 – 31 January 2021	Audited 1 February 2019 – 31 January 2020
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	17	(1,106)	(1,124)
- Deferred tax income	30	198	247
Items that are or may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		57,037	25,081
Cash flow hedging reserves		(9,815)	10,776
- Deferred tax income/expense	30	1,988	(2,371)
Other comprehensive income net of tax		48,302	32,609
Total comprehensive income		56,345	140,496

Total comprehensive income attributable to:

Non-controlling interests	6,777	14,046
Owners of the Company	49,568	126,450

The accompanying notes from an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Changes In Equity
For the year ended 31 January 2021

(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			
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	--	--	--	(877)	24,078	8,405	--	94,844	126,450	14,046	140,496
Total balance as at 31 January 2020	49,657	19,771	(35,757)	(5,337)	88,013	947	248,086	94,844	460,224	17,440	477,664
Balance as at 1 February 2020	49,657	19,771	(35,757)	(5,337)	88,013	947	248,086	94,844	460,224	17,440	477,664
Transfers	--	--	--	--	--	--	94,844	(94,844)	--	--	--
Total comprehensive income	--	--	--	(908)	53,720	(7,827)	--	4,583	49,568	6,777	56,345
Total balance as at 31 January 2021	49,657	19,771	(35,757)	(6,245)	141,733	(6,880)	342,930	4,583	509,792	24,217	534,009

The accompanying notes from an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Statements of Cash Flow
As at for the year ended 31 January 2021

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

		Audited	Audited
		31 January 2021	31 January 2020
Cash flow from operating activities	Notes		
Net profit for the year		8,043	107,887
Adjustments for:			
Depreciation and amortization expense	11,12,14,27	311,665	280,254
Finance income	28	(158,201)	(6,254)
Finance costs	29	222,121	225,870
Provision for unused vacation	15	1,227	1,207
Provision for employee severance indemnity	17	4,925	9,274
Fair value change of derivatives	29	--	865
Impairment losses on receivables	34	2,805	362
Interest (income)/expense on trade payables	25	(6,164)	5,276
Expected credit losses	25	163	(290)
Inventory obsolescence	9	(1,005)	8,984
Short term and long-term provisions	15	(589)	4,218
Losses on sale of property and equipment	26	1,410	808
Tax expenses	30	4,434	29,638
Unrealized currency translation differences		58,587	5,437
		449,421	673,536
Changes in:			
Change in trade receivables		(6,628)	(63,706)
Change in inventory		(65,541)	(48,467)
Change in prepaid expenses		(7,358)	(5,719)
Change in other receivables		7,566	(973)
Change in other current and non-current assets		(6,329)	4,344
Change in employee benefits liabilities		4,149	2,202
Change in trade payables		87,584	40,024
Change in payables to related parties		(40,458)	41,745
Change in deferred revenue		(2,747)	5,118
Change in other payables		(2,975)	641
Change in short term and long-term provisions		--	(1,539)
Change in other liabilities		3,296	(3,340)
		419,980	643,866
Employee benefits paid	15,17	(5,377)	(8,666)
Income tax paid	30	(25,225)	(32,006)
Net cash from operating activities		389,378	603,194
Cash flows from investing activities			
Acquisition of tangible assets	11	(79,035)	(79,767)
Proceeds from sale of tangible assets		2,730	94
Acquisition of intangible assets	12	(22,301)	(20,822)
Acquisition of subsidiary, net of cash acquired		--	(11,088)
Interest received		54,330	6,224
Net cash flow used in investing activities		(44,276)	(105,359)
Proceeds from loans and borrowings		1,421,905	561,470
Repayment of loans and borrowings		(857,906)	(608,685)
Payments of contractual lease liabilities		(180,563)	(243,461)
Proceeds of settlement of derivatives		--	(881)
Other financial payments	29	(66,853)	(78,213)
Interest paid		(82,648)	(79,250)
Net cash flow used in financing activities		233,935	(449,020)
Net increase in cash and cash equivalent		579,037	48,815
Cash and cash equivalents at the beginning of the year	4	310,838	262,023
Cash and cash equivalents at the end of the year	4	889,875	310,838

The accompanying notes from an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

(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 İstanbul/Turkey.

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

Shares of the Company has been traded at Borsa İstanbul ("BIST") since 15 June 2017. As of 31 January 2021, 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 consolidated financial statements as at 31 January 2021 include financial position and the results of Mavi Giyim, Mavi Europe AG ("Mavi Europe"), Mavi Nederland BV ("Mavi Nederland") and Mavi LLC ("Mavi Russia"), Eflatun Giyim Yatırım Ticaret Anonim Şirketi ("Eflatun Giyim"), Mavi Jeans Incorporated ("Mavi Canada"), Mavi Jeans Incorporated ("Mavi United States of America ("USA"), Mavi Kazakhstan LLP and its subsidiaries are referred here as the "Group" and individually "the Group entity" in this report.

The ownership interest of and voting power held by the Company as at and for the years ended 31 January 2021 and 2020 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding %	
			31 January 2021	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
Mavi USA	USA	Wholesale and retail sales of apparel	51.00	51.00
Eflatun Giyim	Turkey	Holding company	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 31 January 2021.

As of 31 January 2021, Group's total number of employees is 4,060 (31 January 2020: 4,086).

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements

2.1 Basis of presentation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB.

The consolidated financial statements were authorised for issue by the Board of Directors on 15 March 2021. General Assembly and other regulatory institutions have the authority to modify the consolidated financial statements.

(b) Basis of measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in Note 2.5 (q).

(c) Functional and presentation currency

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

These accompanying consolidated financial statements are presented in TL which is the Company's functional currency except when the otherwise indicated.

The table below summarises functional currencies of the Group entities.

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

(d) Use of judgements and estimates

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

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

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment is included in the following notes:

- Note 7 Trade receivables: Allowance for doubtful receivables, Expected credit losses.
- Note 9 Inventory: Allowance for inventory impairment.
- Note 10 Deferred revenue: Estimation of loyalty credits that can be redeemed in the next years
- Note 11 and 12 Property equipment and and intangibles: Useful lives.
- Note 12 and 13 Impairment of intangible assets including goodwill: Key assumptions, underlying recoverable amounts.
- Note 15 and 17 Provision for employee termination benefits: Key actuarial assumptions.
- Note 15 Provisions for sales returns: Estimation of return, provision for upcoming months using the historical data.

2.2 Basis of consolidation

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

The accompanying consolidated financial statements include the accounts of the parent company and its subsidiaries on the basis set out in the section below.

Subsidiaries are consolidated based on the following methods:

- Mavi Russia, Mavi Nederland and Mavi Europe are fully consolidated without non-controlling interest.
- Eflatun Giyim, Mavi Canada and Mavi USA are fully consolidated. Non-controlling interest has been accounted for Eflatun.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.2 Basis of consolidation (continued)

(a) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 2.5 (f)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transactions costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(c) Non-controlling interests

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's share in subsidiaries that do not result in loss of control are accounted for as equity transactions.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.2 Basis of consolidation (continued)

(e) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparative periods are restated. The restatement does not extend to periods during which the entities were not under common control. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Company's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Company equity and any gain/loss arising is recognised directly in equity.

(f) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- o an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- o a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- o qualifying cash flow hedges to the extent that the hedges are effective.

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated via monthly average exchange rates.

Foreign currency differences are recognised in other comprehensive income and accumulated into the translation reserve, except to the extent that the translation difference is allocated to NCI.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.2 Basis of consolidation (continued)

(f) Foreign currency (continued)

ii) Foreign operations (continued)

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes off only part of its investment in an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

The Group and subsidiaries use either TL, EUR, RUB, USD or CAD as functional currencies since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group and subsidiaries and reflect the economic substance of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies. The Group uses TL as the reporting currency.

The financial statements of subsidiaries that report in the currency of an economy formerly accepted as hyperinflationary (Turkey) are restated in terms of the measuring unit current at the reporting dates as the reporting currency. The above-mentioned decision dated 17 March 2005 as a result of the application of hyperinflation accounting ended as of 31 December 2005 and TL came off as not highly inflationary status for the period beginning after 1 January 2006.

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

	31 January 2021	31 January 2020
TL / EUR	8.8718	6.5782
TL / USD	7.3216	5.9716
TL / RUB	0.0957	0.0943
TL / CAD	5.6936	4.5119

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

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
TL / EUR	8.2200	6.3860
TL / USD	7.1282	5.7180
TL / RUB	0.0967	0.0885
TL / CAD	5.3333	4.3098

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.3 Change in significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. Material changes in accounting policies and material accounting errors are adjusted retrospectively and prior period's consolidated financial statements are restated.

2.4 Changes in accounting estimates and errors

Changes in accounting policies or accounting errors are applied retrospectively and the consolidated financial statements of the previous periods are restated. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively. When a significant accounting error is identified, it is corrected retrospectively and the prior year consolidated financial statements are restated.

2.5 Summary of significant accounting policies

Certain comparative amounts in the statement of financial position and profit or loss and other comprehensive income have been reclassified or represented, either as a result of correction of errors or change in classification to conform current year presentation.

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except the initial application of IFRS 16.

(a) Leases

The Group has applied IFRS 16 as of 1 February 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRS Interpretation 4. The details of accounting policies under IAS 17 and IFRS Interpretation 4 are disclosed separately.

Policy applicable from 1 February 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 February 2019.

As a lessee

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, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(a) Leases (continued)

As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the 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 interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- σ Fixed payments, including in-substance fixed payments;
- σ Amounts expected to be paid by the lessee under residual value commitments

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(a) Leases (continued)

As a lessee (continued)

Policy applicable before 1 February 2019

For contracts entered into before 1 February 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- σ fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- σ the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(b) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost including borrowing costs-less accumulated depreciation and any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain and loss on disposal of an item of property and equipment is recognised in profit or loss and presented under gains/losses from investment activities.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(b) Property and equipment (continued)

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Property and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognised in profit, or loss.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of lease term. Land is not subject to depreciation.

The estimated useful lives for the current and comparative periods are as follows:

- σ Vehicles (5) years
- σ Furniture and fixtures (3 – 15) years
- σ Leasehold improvements shorter of (1 – 10) years or lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

c) Intangible assets and goodwill

(i) Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated [statement of profit or loss/statement of profit or loss and other comprehensive income]. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets recognised in a business combination

Customer relationships arising from the business acquisitions were recognized at their fair values.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

c) Intangible assets and goodwill (continued)

(i) Recognition and measurement

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- σ Trademark (15) years
- σ Licenses (3-5) years
- σ Customer relationships (9-15) years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Inventories

Inventories are measured at the lower of cost or net realizable value.

The cost of inventories is based on first-in first-out principle, and includes expenditure incurred for the purchase and bringing the items to their current condition. Net realizable value is the estimated selling price, in the ordinary course of business, less estimated costs of completion and estimated costs to sell. Net realizable value write-downs are evaluated in product groups and for particular seasons such as fall/winter and spring/summer.

(e) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- σ it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- σ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- σ the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- σ the purpose of the business model; managing daily liquidity needs, maintaining a certain interest yield, or aligning the maturity of financial assets with the maturity of debts funding these assets.
- σ how the performance of the portfolio is evaluated and reported to the Company's management;
- σ the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

σ how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected and the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- σ contingent events that would change the amount or timing of cash flows;
- σ terms that may adjust the contractual coupon rate, including variable-rate features;
- σ prepayment and extension features; and
- σ terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. For derivatives identified as a hedging tool, see section (v) below.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. For derivatives identified as a hedging tool, see section (v) below.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Derivative financial instrument and hedge accounting

The Group uses derivative financial instruments for the purpose of hedging foreign currency and interest rate risk. Embedded derivative instruments are separated from the host contract and recognized separately when the underlying contract is not a financial asset and met certain criteria.

Derivatives are initially recognized at fair value. Subsequent to initial recognition of derivative instruments, changes in fair value are recognized in profit or loss.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(v) Derivative financial instrument and hedge accounting

The Group defines certain derivatives as hedging instruments in order to maintain the variability in the cash flows related to the high probability of realization arising from the changes in exchange rates and interest rates. The Group defines certain derivatives and non-derivative financial liabilities as hedging instruments for net investment in foreign operations.

At the beginning of the hedge relationship, the Group makes a certification regarding the risk management purpose and strategy that causes the hedging relationship and the operation of the enterprise. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and the hedging means are expected to offset each other.

Hedge accounting

If a derivative instrument is designed as a cash flow hedge hedging instrument, the effective portion of the change in the fair value of the derivative instrument is recognized in other comprehensive income and presented under equity in the hedging reserve. The ineffective portion of the change in the fair value of the derivative is recognized directly in profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the beginning of the hedging relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument.

In the cash flow hedge relationship, the group defines only the change in the spot item of the forward contract as a means of hedging.

The Group, enters into forward contracts in order to hedge the foreign currency risk on product imports arising from the foreign currency differences between the purchase order date and arrival date.

The change in the fair value of forward value of forward foreign exchange purchase contracts is recognized as hedging reserve as a hedging cost in equity as a hedging cost. In the event that a non-financial asset or liability is subsequently recognized in the financial statements, the amount accumulated in the hedging fund and the cost of hedging are included directly in the initial cost of the non-financial asset or liability. For all other hedge transactions, the hedging reserve and the hedging cost are classified in profit or loss in the hedging reserve in the period or periods when the estimated future cash flows are affected by profit or loss.

The hedge accounting is discontinued in case the hedging relationship (or part of it) no longer meets the required criteria, the hedging instrument is expired or sold, terminated or used.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(e) Financial instruments (continued))

(v) Derivative financial instrument and hedge accounting (continued)

In case of discontinuation of cash flow hedge accounting, the retained amount in the hedging fund shall continue to be classified under equity until the hedged estimate of the non-financial item is recorded; hedging cost is classified as profit or loss in the periods in which the estimated future cash flows are affected by profit or loss. If the expected future cash flows are no longer expected to materialize, the amount accumulated in the hedge fund and the cost of that fund are immediately classified in profit or loss.

(f) Impairment of assets

(i) Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- σ financial assets measured at amortized cost

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- σ bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

12-month expected credit losses are that result from possible default events within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(f) Impairment of assets (continued)

(i) Non-derivative financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

ECLs are discounted at the effective interest rate of the financial asset.

For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses prescribed in IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The Group performed the calculation of ECL rates separately for individual, corporate, public and wholesale customers.

The ECLs were calculated based on actual credit loss experience over the past years.

ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are creditimpaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where trade receivables, other receivables, other assets and contract assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(f) Impairment of assets (continued)

(ii) Non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs ("Cash Generating Unit"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of CGU.

An impairment loss is recognised if the carrying amount of an asset of CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

(i) Long term employee benefits

Provision for employee termination benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated without due cause, called up for military service, death or retirement. IAS 19 "Employee Benefits" requires actuarial valuation method to be developed to estimate the enterprise's obligation under defined benefit plans. Consequently, in the accompanying consolidated financial statements, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employee. Severance payment provisions are not subject to legal funding.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(g) Employee benefits (continued)

(i) Long term employee benefits (continued)

In accordance with the Russian Labor Law (the Article 178 "Dismissal allowances", Chapter 27, Section VII "Guarantees and compensations"), when the Group company unilaterally terminates the employment agreement, employer should inform the employee two months before position cancelling date. After two months, at the date of dismissal, employer is required to pay the employee a dismissal compensation at the amount of one month average wage. In case the employee can not find an employment during two preceding months after the dismissal date, employee has right to request.

The Group has not recorded any reserve for employee severance payments for its employees in foreign subsidiaries, except Russia since only under very specific circumstances a company is liable to pay a severance according to labour laws of the foreign entities.

(ii) Short term employee benefits

Short-term employee benefit obligations are consisting of reserve for the vacation pay liability due to the earned and unused vacation rights of its employees. The Group is obliged to make payments for unused vacation days in the amount of the employment contract is terminated on the date of the daily gross wage and contract related interests on the total payment. The Group provides reserve for the vacation pay liability due to the earned and unused vacation rights of its employees.

Vacation pay liability is measured on an undiscounted basis and is recognised in profit or loss as the related service is provided.

(h) Provisions; contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money where appropriate and the risks specific to the liability.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities are disclosed in the notes to the consolidated financial statements.

If the entry of the economic benefit to the Group is possible, explanations are included in the disclosures of the consolidated financial statements about the contingent asset if the entry of economic benefit is certain, the asset and its related income changes are included in the consolidated financial statements at the date that they occurred.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(i) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

- a) A person or a close member of that person's family is related to a reporting entity if that person:
- has control or joint control of the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled or jointly controlled by a person identified in (a).
 - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(j) Revenue

(i) General model for accounting of revenue

In accordance with IFRS 15, a five-step model is followed in recognizing revenue for all contacts with customers.

Step 1: Identify the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Group accounts the contracts as a single contract.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(j) Revenue (continued)

(i) General model for accounting of revenue (continued)

Step 2: Identify the performance obligations

The Group defines 'performance obligation' as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as:

(a) a performance obligation either a good or service that is distinct; or

(b) or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determine the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group's performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable cost

The Group identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocate the transaction price

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations).

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(j) Revenue (continued)

Step 4: Allocate the transaction price (continued)

If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Stage 5: Revenue recognition

The Group recognizes revenue over-time if any of the following conditions is met:

- σ Customer simultaneously receives and consumes the benefits as the entity performs, or
- σ The customer controls the asset as the entity creates or enhances it, or
- σ Group's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably.

If a performance obligation is not satisfied over time, then the Group recognize revenue at the point in time at which it transfers control of the good or service to the customer.

The Group recognizes a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Goods sold

In overall, the Group has wholesale, retail and e-commerce business. Retail sales represent sales to consumers at mono-brand Mavi stores that the Group operates. Revenue is recognized when the significant risk and rewards of ownership have been transferred to the buyer. Revenue from the sale of goods through retail business in the course of ordinary activities is measured at the fair value of the consideration received in cash or credit card. The discount is recognized as a reduction of revenue as the sales are recognized.

Wholesale sales are to third-party retailers that then on-sell to consumers. The wholesale channel includes Mavi mono-brand stores operated by franchisees, department store chains, corner shops, and third-party online channels. The Group signs franchise agreements with franchises. However, the Group does not send consignment inventory to these franchises nor does the Group earn franchise fees on these agreements. The Group recognizes revenues from franchisees on a principal basis as gross when the significant risk and rewards of ownership have been transferred to the franchisees.

In addition, the Group has consignments in certain department stores. Revenue from these consignments is recognized only after they are sold to the end customer as defined above.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(j) Revenue (continued)

Ecommerce represents direct sales that the Group makes to consumers on own mavi.com websites. Revenue from the sale of goods through wholesale business in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The Group also generates revenue in the form of royalty fees.

Corporate card sales to corporate customers are initially recognized as deferred revenue and the revenue is recognized when the card is used by the ultimate customer. Corporate cards given to customers during the reporting period are valid until a specific maturity date. Unused balance of the corporate cards are recognized as revenue following the expiration date.

Loyalty programme

For customer loyalty programmes, the fair value of the consideration receivable in respect of the initial sale is allocated to the "Kartuş Card Points". The present fair value of the Kartuş Card Points, which can be redeemed as discount against future purchases by customers, is estimated by taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the points are redeemed and the Group has fulfilled its obligations to supply the discounted products. The amount of revenue recognized in those circumstances is based on the number of points that have been redeemed in exchange for discounted products, relative to the total number of points that is expected to be redeemed.

(k) Income/(expense) from investing activities

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

(l) Earnings per share

Earnings per shares is calculated by dividing the consolidated profit/(loss) for the period attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the period.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(m) Research and development expenses

The Group has a separate department which operates to research and develop new fabric and design. As a result of these operations of the department, sample productions are made including new collections' desgins. Costs incurred on development projects are recognised as intangible assets only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs that have been capitalised are amortised on a straight-line basis over their estimated useful lives (1 year).

(n) Finance income and finance cost

Finance costs comprise interest expense on borrowings, impairment losses recognised on financial assets, (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities (other than trade receivables and payables) are reported on a gross basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(o) Tax

Tax expense comprises of current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

(ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases which is used in the computation of taxable profit.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(o) Tax (continued)

(ii) Deferred tax (continued)

Deferred tax is not recognised for the following temporary differences:

- σ the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit,
- σ differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future,
- σ taxable temporary differences related to initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that is probable that future taxable profits will available against which they can be utilised.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Company and its consolidated subsidiaries have reflected their deferred tax assets and liabilities in their financial statements, but there has been no netting on a consolidated basis.

(iii) Tax risk

The Group takes into account whether the Group has the uncertain tax position and the surcharge has to be paid and the tax liability while it determines the current tax expense and delayed tax expense. The assessment might include judgments about future events and is based on estimates and assumptions. In case there exists new information about the adequacy of the Group's current tax liability which will cause a change in the professional judgment; this change will affect the period which the situation emerges.

(iv) Transfer pricing

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via transfer pricing dated 18 November 2007 sets details about implementation.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(o) Tax (continued)

(iv) Transfer pricing (continued)

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length basis, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as a tax deductible for corporate income tax purposes.

(p) Government grants

The Group obtains government incentives under the Turquality program from Turkish Republic Ministry of Economy. The Group is initially recognises government grants related to trade mark developments in international markets in profit or loss as deduction of relevant selling and marketing expenses at fair value when there is reasonable assurance that the incentives will be received.

(q) Measurement of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(q) Measurement of fair value (continued)

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Important evaluation problems are reported to the Audit Committee of the Group.

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

- σ Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- σ 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).
- σ Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(i) Financial assets

Cash and cash equivalents are presented on cost basis and are assumed to reflect their fair values as they are liquid and classified as current assets.

Trade receivables are presented netted off related doubtful portion of the receivable and are assumed to reflect their fair value.

Derivative financial instruments reflect their fair value as they include hedging transactions. The classification of derivative financial instruments for fair value measurement is Level 2.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(q) Measurement of fair value (continued)

(ii) Other non-derivative financial liabilities

Forward exchange contracts

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

(iii) Property and equipment

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

(iv) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

The fair value of customer relationships acquired in a business combination are determined according to the income approach.

2.6 Application of New and Revised International Financial Reporting Standards (IFRSs)

a) New and revised Standards that are effective for the current year

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.6 Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

a) New and revised Standards that are effective for the current year (continued)

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. The Group does not expect that application of these amendments to IAS 1 and IAS 8 will have significant impact on its consolidated financial statements

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:

- σ 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;
- σ 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
- σ there are no substantive changes to other terms and conditions of the lease.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.6 Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

a) New and revised Standards that are effective for the current year (continued)

Amendments to IFRS 16 COVID-19 Related Rent Concessions (continued)

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

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 June 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, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 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	Insurance Contracts
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9 and IAS 41
Amendments to TFRS 4	Extension of the Temporary Exemption from Applying IFRS 9
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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 2023.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.6 Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

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

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.

Amendment defers the effective date by one year. Amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 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 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 (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts.

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

2 Basis of presentation of financial statements (continued)

2.6 Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

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

Annual Improvements to IFRS Standards 2018-2020

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.

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.

Amendments to TFRS 4 Extension of the Temporary Exemption from Applying IFRS 9

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The amendments in Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

3 Operating segments

	1 February 2020- 31 January 2021			1 February 2019- 31 January 2020		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Segment revenue ⁽¹⁾	1,935,643	466,165	2,401,808	2,364,841	498,041	2,862,882
-Retail	1,356,457	45,622	1,402,079	1,829,485	59,621	1,889,106
-Wholesale	372,582	321,867	694,449	453,272	375,103	828,375
-E-commerce	206,604	98,676	305,280	82,084	63,317	145,401
Segment profit before tax	35,146	(22,669)	12,477	127,675	9,850	137,525
	31 January 2021			31 January 2020		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Total segment assets	2,238,952	468,798	2,707,750	1,590,804	346,620	1,937,424
Total segment liabilities	1,870,235	303,506	2,173,741	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. Only Turkey operations are determined to be a reportable segment. International segment comprises Europe, USA, Canada, Russia and rest of the world.

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

4 Cash and cash equivalents

As at 31 January 2021 and 2020 cash and cash equivalents comprises the following:

	31 January 2021	31 January 2020
Cash on hand	1,681	1,515
Cash at banks	777,224	174,739
Demand deposits	73,455	26,429
Time deposits	703,769	148,310
Other cash and cash equivalents	110,970	134,584
Cash and cash equivalents in the statement of consolidated financial statement	889,875	310,838

As at 31 January 2021 and 2020, other cash and cash equivalents consist of credit card receivables with maturities less than 3 months.

As at 31 January 2021 and 2020, the details of time deposits based on maturity dates and interest rates of the Groups are as below:

	Maturity	Interest rate	31 January 2021
TL	1 February-2 March 2021	17.75%-18.75%	665,201
USD	1 February 2021	1.00%	29,652
EUR	12 February 2021	2.00%	8,916
			703,769

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

As at 31 January 2021 and 2020, there is no restriction or blockage on cash and cash equivalents. The Group's exposure to foreign currency credit risk, interest rate risk and related sensitivity analyses are disclosed in Note 34.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

5 Loans and borrowings

As at 31 January 2021 and 2020, financial borrowings comprise the following:

	31 January 2021	31 January 2020
Current liabilities		
Unsecured bank loans	445,406	74,748
Current portion of unsecured bank loans	375,566	160,946
Contractual lease liabilities	218,574	197,954
	1,039,546	433,648
Non-current liabilities		
Unsecured bank loans	105,569	84,098
Contractual lease liabilities	260,044	240,769
	365,613	324,867

As at 31 January 2021 and 2020 loan and borrowings comprised the following:

	31 January 2021	31 January 2020
Bank loans	926,541	319,792
Contractual lease liabilities	478,618	438,723
	1,405,159	758,515

As at 31 January 2021 and 2020 the repayments of bank loan agreements according to the original maturities comprised the following:

	31 January 2021	31 January 2020
Less than one year	820,972	235,694
One to two years	105,569	83,813
Two to three years	--	285
	926,541	319,792

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

5 Loans and borrowings (continued)

As of 31 January 2021 and 2020 maturities and conditions of outstanding bank loans comprised the following:

	31 January 2021				
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0.40%-2.50%	2021	79,847	80,058
Unsecured bank loans	TL	6.95%-18.86%	2021-2022	712,508	717,994
Unsecured bank loans	USD	2.85%-3.68%	2021-2022	60,447	62,135
Unsecured bank loans	RUB	9.50%-13.94%	2021	50,305	51,129
Unsecured bank loans	CAD	2.95%	2021	15,225	15,225
				918,332	926,541

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

The Group's exposure to liquidity, foreign currency and interest rate risk as well as related sensitivity analyses for financial liabilities are disclosed in Note 34.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

5 Loans and borrowings (continued)

The movement of borrowings for the year ended 31 January 2021 and 31 January 2020 is as follows:

	31 January 2021	31 January 2020
Opening balance	319,792	376,044
Proceeds from borrowings	1,421,905	561,470
Repayment of borrowings	(857,906)	(608,685)
Interest accrual	6,050	(5,672)
Currency translation differences	15,559	(4,630)
Change in exchange rates	21,141	1,265
Closing balance	926,541	319,792

The movement of lease liabilities for the year ended 31 January 2021 and 31 January 2020 is as follows:

	31 January 2021	31 January 2020
Opening balance	438,723	467,727
Payments of lease liabilities	(180,563)	(243,461)
COVID-19 discount (Note 28)	(100,300)	--
Lease modifications	173,724	68,004
Interest on lease liabilities	66,568	74,080
New lease contracts	78,679	73,299
Currency translation differences	11,441	7,746
Change in exchange rates	1,151	(349)
Terminations	(10,805)	(8,323)
Closing balance	478,618	438,723

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

5 Loans and borrowings (continued)

	31 January 2021	31 January 2020
Short term portion of long term liabilities		
Lesase liabilities	233,163	212,175
Deferred lease borrowing cost (-)	(14,589)	(14,221)
	218,574	197,954
Long term lease liabilities		
Leases liabilities	369,453	362,855
Deferred lease borrowing costs (-)	(109,409)	(122,086)
	260,044	240,769
Total contractual lease liabilities	478,618	438,723

6 Related party

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

As of 31 January 2021, the members of the Akarlılar Family (Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar) are the controlling shareholders of the Group with a total ownership interest of 27.41% where 27.19% is the direct ownership interest and 0.22% is the indirect ownership interest through Blue International Holding B.V.

(a) Related party balances

	31 January 2021	31 January 2020
Prepayments given to related parties		
Erak Giyim Sanayi Ticaret A.Ş. ("Erak") ⁽¹⁾	25,869	16,824
	25,869	16,824

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

6 Related party (continued)

(a) Related party balances (continued)

	31 January 2021	31 January 2020
Due to related parties		
Erak ⁽¹⁾	121,166	175,262
Akay Lelmalabis Elgazhizah LLC ("Akay") ⁽²⁾	35,130	21,542
	156,296	196,804

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

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

As at 31 January 2021 and 31 January 2020, other short term payables to related parties comprised the following:

	31 January 2021	31 January 2020
Other payables to related parties		
Eflatun Giyim shareholders	176	126
Short term other payables to related parties	176	126

As at 31 January 2021 and 31 January 2020, contractual lease liabilities to related parties comprised the following:

	31 January 2021	31 January 2020
Short term contractual lease liabilities to related parties		
Sylvia House Inc.	793	566
Mavi Jeans Holding Inc.	1,254	987
	2,047	1,553
Long term contractual lease liabilities to related parties		
Sylvia House Inc.	832	1,238
Mavi Jeans Holding Inc.	1,357	1,991
	2,189	3,229

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

6 Related party (continued)

(b) Related party transactions (continued)

For the years ended 31 January 2021 and 2020, purchases from related parties of the Group comprised the following:

	31 January 2021	31 January 2020
Purchase from related parties		
Erak	377,578	487,631
Akay	63,561	80,114
	441,139	567,745

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

For the years ended 31 January 2021 and 2020, the services from related parties of the Group comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Services from related parties		
Erak ⁽¹⁾	1,591	1,620
Mavi Jeans Holding Inc. ⁽²⁾	1,342	847
Sylvia House Inc. ⁽³⁾	942	666
	3,875	3,133

⁽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 Yaletown, Vancouver from Sylvia House Inc.

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

For the year ended 31 January 2021, short term (salaries and wages, attendance fee, bonus, holiday overtime, severance payment, premium, and other benefits) and long term benefits provided to senior management and board of directors amounted to TL48,422 (31 January 2020: TL 55,895).

As at 31 January 2021, the Group does not have any payables to any board of director or key management personnel of the Group (31 January 2020-nil).

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

7 Trade receivables and payables

Short term trade receivables

As at 31 January 2021 and 31 January 2020, short term trade receivables are as follows:

	31 January 2021	31 January 2020
Trade receivables from third parties	231,378	231,101
	231,378	231,101

As at 31 January 2021 and 31 January 2020, short term trade receivables from others are as follows:

	31 January 2021	31 January 2020
Trade receivables	178,492	190,994
Post-dated cheques	22,303	12,835
Endorsed cheques	6,930	4,051
Notes receivables	25,635	24,653
Expected credit losses (-)	(1,982)	(1,432)
Doubtful receivables	22,175	17,709
Allowance for doubtful receivables (-)	(22,175)	(17,709)
	231,378	231,101

Details related to Group's exposure to credit and foreign currency risk and impairment losses for short term trade receivables is disclosed in Note 34.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

7 Trade receivables and payables (continued)

Short term trade payables

As at 31 January 2021 and 31 January 2020, short term trade payables of the Group are as follows:

	31 January 2021	31 January 2020
Trade payables to third parties	481,899	400,479
Trade payables to related parties (Note 6)	156,296	196,804
	638,195	597,283

As at 31 January 2021 and 31 January 2020, short term trade payables from others are as follows:

	31 January 2021	31 January 2020
Trade payables ⁽¹⁾	468,297	394,516
Expense accruals	13,602	5,963
	481,899	400,479

Trade payables comprises of the unpaid amounts of trade purchases and ongoing expenditures

⁽¹⁾Trade payables to third parties comprise factoring payables amounting TL 195,519 (31 January 2020: TL 67,242) and supplier financing payables amounting TL 140,740 (31 January 2020: TL 184,644).

The Group's exposure to foreign currency and liquidity risk for short term trade payables are disclosed in Note 34.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

8 Other receivables and payables

Other short term trade receivables

As at 31 January 2021 and 2020, short term other receivables of the Group are as follows:

	31 January 2021	31 January 2020
Other receivables from third parties	13,288	17,267
	13,288	17,267

As at 31 January 2021 and 2020, short term other receivables from third parties of the Group are as follows:

	31 January 2021	31 January 2020
Receivables from public institutions ⁽¹⁾	7,217	16,588
Time deposit interest accruals	3,608	37
Other short-term receivables	2,463	642
	13,288	17,267

⁽¹⁾Receivables from public institutions consist of the Group's receivables related to Turquality incentive program amounting to TL 120 (31 January 2020: TL 2,523), previous period incentive receivables amounting to TL 2,130 (31 January 2020: nil) and value added tax receivables amounting to TL 4,367 (31 January 2020: TL 13,994).

Mavi Giyim has the right to receive government grants from the Republic of Turkey for its investments abroad as part of a brand-building program called "Turquality". Turquality income accrual consists of the approved/to be approved but not yet paid grants regarding capital expenditures and other expenses, i.e. rent, marketing, design, in context of this brand-building program.

The Group's exposure to credit and foreign currency risk for short term other receivables are disclosed in Note 34.

Long term other receivables

As at 31 January 2021 and 2020, long term other receivables of the Group are as follows:

	31 January 2021	31 January 2020
Other receivables from third parties	3,190	3,207
	3,190	3,207

The Group's exposure to credit and foreign currency risk for long term other receivables are disclosed in Note 34.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

8 Other receivables and payables (continued)

Short term other payables

As at 31 January 2021 and 2020, short term other payables of the Group are as follows:

	31 January 2021	31 January 2020
Other payables to third parties	3,871	6,845
Other payables to related parties (Note 6)	176	126
	4,047	6,971

As at 31 January 2021 and 2020, other payables to third parties of the Group are as follows:

	31 January 2021	31 January 2020
Taxes and duties payable	3,490	6,840
Other payables	381	5
	3,871	6,845

The Group's exposure to foreign currency and liquidity risk for other short term payables is disclosed in Note 34.

9 Inventories

As at 31 January 2021 and 2020, inventories are as follows:

	31 January 2021	31 January 2020
Trade goods	557,010	490,342
Consignment trade goods	27,995	29,898
Goods in transit	1,301	525
Provision for impairment on inventory (-)	(26,222)	(24,701)
	560,084	496,064

As at 31 January 2021 there is no restriction/ pledge on inventories (31 January 2020: nil).

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

9 Inventories (continued)

As at 31 January 2021 and 2020, the provision for impairment on inventory is as follows:

	31 January 2021	31 January 2020
Opening balance	24,701	15,067
Provision for the year	27,850	30,594
Effect of movements in exchange rates	2,526	650
Provision cancellations	--	(130)
Write-off	(28,855)	(21,480)
Closing balance	26,222	24,701

As of the year ending on 31 January 2021, inventories of TL 27,850 (31 January 2020: TL 30,594) were recognised as an expense for slow moving inventory and net realizable value assessment in accordance with Group policies of provision for impairment on inventory during the year and included in "cost of sales". In addition, for the year ended on 31 January 2021, inventories of TL 28,855

(31 January 2020; TL 21,480) were disposed and written off.

10 Prepayments and deferred revenues

Prepayments

As at 31 January 2021 and 2020, the remaining balance of prepayments under current and non-current assets is as follows:

	31 January 2021	31 January 2020
Advances given ⁽¹⁾	32,689	21,076
Prepaid general financing expenses	7,116	3,904
Prepaid advertising and marketing expenses	3,026	5,138
Prepaid general administrative expenses	2,740	6,423
Prepaid license expenses	1,103	1,130
Prepaid rent expenses	983	3,038
Prepaid insurance expenses	887	557
Prepaid stamp tax and duties expenses	231	300
Other prepaid expenses	1,700	310
Total prepaid expenses	50,475	41,876
Long term prepaid expenses	149	115
Short term prepaid expenses	50,326	41,761

⁽¹⁾Advances given mainly comprise of advances given to producers and service providers including fabric advances given to Erak (Note 6).

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

10 Prepayments and deferred revenues (continued)

Deferred revenue

As at 31 January 2021 and 2020, deferred revenue of the Group are as follows:

	31 January 2021	31 January 2020
Customer loyalty claims ⁽¹⁾	11,315	14,960
Salary protocol	3,296	5,272
Corporate sales ⁽²⁾	3,097	1,825
Rent income	1,867	265
Total deferred revenue	19,575	22,322
Short term deferred revenue	18,150	18,917
Long term deferred revenue	1,425	3,405

⁽¹⁾ The deferred revenue related to loyalty credits granted has been estimated with reference to the fair value of apparel for which could be redeemed.

⁽²⁾ Corporate sales consist of prepaid cards which are given to corporate firms.

11 Property and equipment

The movement of property and equipment for the year ended 31 January 2021 and 31 January 2020 is as follows:

	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
<u>Cost</u>					
1 February 2019 opening balance	186	244,386	180,822	2,671	428,065
Additions	--	37,704	28,566	13,497	79,767
Disposals	--	(9,231)	(7,332)	--	(16,563)
Effect of movements in exchange rates	--	4,121	2,356	--	6,477
Transfers ⁽¹⁾	--	9,848	4,054	(14,449)	(547)
31 January 2020 closing balance	186	286,828	208,466	1,719	497,199
1 February 2020 opening balance	186	286,828	208,466	1,719	497,199
Additions	--	13,576	18,980	46,479	79,035
Disposals	--	(5,190)	(7,140)	(2,666)	(14,996)
Effect of movements in exchange rates	--	3,875	8,435	57	12,367
Transfers ⁽¹⁾	--	19,002	9,428	(29,346)	(916)
31 January 2021 closing balance	186	318,091	238,169	16,243	572,689

⁽¹⁾ Transfers of TL 916 as at 31 January 2021, and TL 547 as at 31 January 2020 are related to transfers to intangible assets.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

11 Property and equipment (continued)

The movement of property and equipment for the year ended 31 January 2021 and 2020 is as follows:

	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
<u>Accumulated Depreciation</u>					
1 February 2019 opening balance	137	152,819	115,370	--	268,326
Effect of movements in exchange rates	--	2,392	1,300	--	3,692
Depreciation for the year	29	32,624	27,470	--	60,123
Disposals	--	(9,019)	(6,642)	--	(15,661)
31 January 2020 closing balance	166	178,816	137,498	--	316,480
1 February 2020 opening balance	166	178,816	137,498	--	316,480
Effect of movements in exchange rates	--	3,662	5,392	--	9,054
Depreciation for the year	20	33,682	26,630	--	60,332
Disposals	--	(5,107)	(5,749)	--	(10,856)
31 January 2021 closing balance	186	211,053	163,771	--	375,010
31 January 2020 carrying amount	20	108,012	70,968	1,719	180,719
31 January 2021 carrying amount	--	107,038	74,398	16,243	197,679

For the year ended 31 January 2021, TL 8,520 (and for the year ended 31 January 2020: TL 7,958) of depreciation expenses are included under administrative expenses, TL 51,812 (31 January 2020: TL 52,165) under selling and marketing expenses.

As of 31 January 2021, there is no pledge on property and equipment (31 January 2020: nil).

As at 31 January 2021 the amount of insurance on property and equipment is TL 449,007 (31 January 2020: TL 371,211).

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

12 Intangible assets

The movement of intangible assets As at 31 January 2021 and 2020 are as follows:

		Customer relationships	Brand	Development Costs ⁽¹⁾	Total
Cost	Licenses				
1 February 2019 balance	53,130	59,707	923	4,353	118,113
Additions	8,355	--	--	13,124	21,479
Effect of movements in exchange rates	877	7,423	--	--	8,300
Transfers	547	--	--	--	547
Disposals	--	--	--	--	--
31 January 2020 balance	62,909	67,130	923	17,477	148,439
1 February 2020 balance	62,909	67,130	923	17,477	148,439
Additions ⁽²⁾	10,420	--	--	12,235	22,655
Effect of movements in exchange rates	1,541	15,114	--	--	16,655
Transfers	916	--	--	--	916
Disposals	(1,149)	--	--	--	(1,149)
31 January 2021 balance	74,637	82,244	923	29,712	187,516

⁽¹⁾Consist of capitalized design and development expensesin accordance with incentive programme.

⁽²⁾Development costs consist TL 354 capitalized amortisation expenses (31 January 2020: TL657).

		Customer relationships	Brand	Development Costs	Total
Amortisation	Licenses				
1 February 2019 balance	42,651	17,513	212	161	60,537
Effect of movements in exchange rates	627	2,204	--	--	2,831
Current year amortisation	5,870	6,462	86	4,602	17,020
Disposals	--	--	--	--	--
31 January 2020 balance	49,148	26,179	298	4,763	80,388
1 February 2020 balance	49,148	26,179	298	4,763	80,388
Effect of movements in exchange rates	1,270	5,741	--	--	7,011
Current year amortisation	7,565	8,053	86	11,787	27,491
Disposals	(1,147)	--	--	--	(1,147)
31 January 2021 balance	56,836	39,973	384	16,550	113,743
Carrying amount					
31 January 2020 balance	13,761	40,951	625	12,714	68,051
31 January 2021 balance	17,801	42,271	539	13,162	73,773

For the year ended 31 January 2021, TL 11,436 (31 January 2020: TL 8,158) of amortisation expenses are included under general administrative expenses and TL 4,911 (31 January 2020: TL 4,424) under selling and marketing expenses, and TL 10,790 (31 January 2020: TL 3,781) under research and development expenses.
The depreciation charge of TL 354 for the period ended 31 Januray 2020 is capitalized in accordance with incentive program. (31 January 2020: TL 657).

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

13 Goodwill

The movement of goodwill as at 31 January 2021 and 2020 is as follows:

Cost	31 January 2021	31 January 2020
As of 1 February	155,695	138,175
Effect of movements in exchange rates	34,547	17,520
As of 31 January	190,242	155,695
Impairment loss		
As of 1 February	(1,297)	(1,297)
Impairment losses on goodwill	--	--
Effect of movements in exchange rates	--	--
As of 31 January	(1,297)	(1,297)
Carrying amount		
As of 31 January	188,945	154,398

Impairment test for cash generating units with allocated goodwill

Goodwill is allocated to cash generating units for impairment test purposes. As of 31 January 2021 and 2020, details of cash generating units related to goodwill are as follows. The carrying amount of goodwill allocated to each cash generating unit are as follows;

	31 January 2021	31 January 2020
Mavi America	168,072	137,083
Mavi Canada	17,140	13,582
Other	3,733	3,733
	188,945	154,398

Impairment testing for CGUs containing goodwill

A valuation of the fair value of CGU of Mavi USA and Mavi Canada as two separate CGU's was performed by the Company management As of 31 January 2021 and 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 January 2021, the impairment test performed on CGU based is resulted with no impairment loss to be recorded for Mavi USA and Mavi Canada.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

13 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 9.6%, 2.0%, 21.7% (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 9.5%, 1.9%, 16.0% (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.

Discount Rate

The discount rate is for Mavi USA estimated based on the company specific weighted cost of capital. Value in use is determined by applying post tax discount rate of 9.6% (31 January 2020:11.0%).

The discount rate is for Mavi Canada estimated based on the company specific average weighted cost of capital. Value in use is determined by applying post tax discount rate of 9.5% (31 January 2020:10.4%).

Terminal growth rate

The discounted cash flow models of Mavi USA and Mavi Canada are based on the cash flows projected fro the following five years. A long term growth rate has been determined as the lower of nominal GDP rates for USA and Canada and long term compound annual growth rate in EBITDA estimated by management.

Income approach

Discounted cash flow methodology is used under the income approach. In this method, the cash flow available for distribution after funding internal needs of the Company is forecasted for the determined period of years. Beyond such determined period, a terminal value is developed by capitalising an assumed stabilised cash flow figure. Then, the determined period cash flows and terminal value are discounted to present value.

Mavi Canada

As of 31 January 2021, estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 69,868. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount.

Mavi USA

As of 31 January 2021, estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 178,625. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

14 Right of use assets

The movement of right of use assets for the years ended 31 January 2021 and 31 January 2020 is as follows:

Cost	Buildings	Store	Vehicles	Warehouse	Total
1 February 2020 balance	54,570	538,768	6,970	4,309	604,617
Additions	3,254	40,613	13,038	21,774	78,679
Modification	13,766	159,020	178	760	173,724
Disposals	(58)	(25,970)	(2,913)	(2,108)	(31,049)
Effect of movements in exchange rates	7,404	4,311	842	1,482	14,039
Closing balance as of 31 January 2021	78,936	716,742	18,115	26,217	840,010

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	15,901	200,062	5,718	2,515	224,196
Disposals	(58)	(16,353)	(2,919)	(2,108)	(21,438)
Effect of movements in exchange rates	2,157	1,312	393	433	4,295
Closing balance as of 31 January 2021	31,629	363,050	7,545	2,767	404,991

Carrying value as of 31 January 2021	47,307	353,692	10,570	23,450	435,019
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Cost	Buildings	Store	Vehicles	Warehouse	Total
1 February 2019 balance	24,088	435,472	6,152	3,580	469,292
Additions	27,448	112,967	588	300	141,303
Disposals	--	(15,008)	(55)	--	(15,063)
Effect of movements in exchange rates	3,034	5,337	285	429	9,085
Closing balance as of 31 January 2020	54,570	538,768	6,970	4,309	604,617

Accumulated depreciation	Buildings	Store	Vehicles	Warehouse	Total
Charge for the year	13,310	184,254	4,353	1,851	203,768
Disposals	--	(6,901)	(48)	--	(6,949)
Effect of movements in exchange rates	319	676	48	76	1,119
Closing balance as of 31 January 2020	13,629	178,029	4,353	1,927	197,938

Carrying value as of 31 January 2020	40,941	360,739	2,617	2,382	406,679
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For the year ended 31 January 2021 TL 15,332 (31 January 2020 : TL 10,316) of amortisation expenses are included under general administrative expenses and TL 208,289 (31 January 2020 : TL 191,585) under selling and marketing expenses, and TL 575 (31 January 2020 : TL 1,867) under research and development expenses.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

15 Provisions, contingent assets and liabilities

Short term provisions

As at 31 January 2021 and 2020, short term provisions are as follows:

	31 January 2021	31 January 2020
Provision for employee benefits	4,144	3,118
Other short term provisions	15,669	13,447
	19,813	16,565

Short term provision for employee benefits consists of provision for vacation pay liability. For the years ended 31 January 2021 and 2020, the movement of provision for vacation liability is as follows:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
1 February balance	3,118	2,679
Current period provision	1,227	1,207
Effect of movements in exchange rates	256	218
Paid benefits	(457)	(986)
31 January balance	4,144	3,118

Short term employee benefits

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

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

For the years ended 31 January 2021 and 2020, the movement of other short term provisions is as follows:

	31 January 2021	31 January 2020
Sales return provision	10,947	7,220
Legal provision ⁽¹⁾	2,843	2,487
Other provisions	1,879	3,740
	15,669	13,447

⁽¹⁾Legal provisions mainly comprise of labor lawsuits.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

15 Provisions, contingent assets and liabilities (continued)

Short term provisions

For the years ended 31 January 2021 and 2020, the movement of short term provision is as follows:

	Legal provision	Return provisions	Other provision	Total
1 February 2019 balance	1,863	5,014	3,478	10,355
Current year provision	624	3,325	409	4,358
Effect of movements in exchange rates	--	420	(7)	413
Provisions used during year	--	(1,539)	--	(1,539)
Provision cancellations	--	--	(140)	(140)
31 January 2020 balance	2,487	7,220	3,740	13,447
1 February 2020 balance	2,487	7,220	3,740	13,447
Current year provision	356	2,112	424	2,892
Effect of movements in exchange rates	--	1,851	960	2,811
Provisions used during year	--	--	--	--
Provision cancellations	--	(236)	(3,245)	(3,481)
31 January 2021 balance	2,843	10,947	1,879	15,669

Long term provisions

For the years ended 31 January 2021 and 2020, the movement of long term provisions is as follows:

	31 January 2021	31 January 2020
Long term provisions for employee benefits	9,081	7,931
	9,081	7,931

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

16 Commitments

(a) Warranties, pledges and mortgages

As of 31 January 2021 and 2020, the Group's guarantee / pledge / mortgage ("GPM") position statement is as follows:

	31 January 2021					
	TL Equivalent	TL	EUR	RUB	USD	CAD
A. On behalf of its own legal personality of the total amount of GPMs	208,214	95,657	11,501	--	1,437	--
Guarantee	208,214	95,657	11,501	--	1,437	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	48,685	--	156	12,589	75	8,000
Guarantee	48,685	--	156	12,589	75	8,000
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	256,899	95,657	11,657	12,589	1,512	8,000

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

16 Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

	31 January 2020				
	TL Equivalent	TL	EUR	RUB	USD
A. On behalf of its own legal personality of the total amount of GPMs	136,845	32,383	14,093	--	1,969
Guarantee	136,845	32,383	14,093	--	1,969
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	3,066	--	246	15,357	--
Guarantee	3,066	--	246	15,357	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
D. Total amount of other GPM	--	--	--	--	--
i. Total amount of GPM given on behalf of the main partners	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
Total GPM	139,911	32,383	14,339	15,357	1,969

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

16 Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

As of 31 January 2021, ratio of other GPM given by the Group to equity was 0% (31 January 2020: 0%).

As of 31 January 2021, letter of guarantees given to third parties for the amount of TL 127,735 are representing guarantees given to Eximbank for the purpose of importing goods (31 January 2020: TL 68,163).

The Group has purchase commitments related to inventory amounting to TL 737,448 as of 31 January 2021 (31 January 2020: TL 647,411).

(b) Guarantees received

As of 31 January 2021, Group has received letter of guarantees for the amount of TL 10,315 as in the form of security (31 January 2020: TL 9,021).

17 Employee benefits

Provision for employment termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Due to changes in legislation as of 8 September 1999, there are certain transitional obligations related to the retirement age.

Severance payments are calculated on the basis of 30 days' pay, limited to a maximum of TL 7,638 at 31 January 2021 (31 January 2020: TL 6,730) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the accompanying financial statements on a current basis. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel. The calculation was based upon the retirement pay ceiling announced by the Government.

The liability is calculated by estimating the present value of the future probable obligation of the Company arising from retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

As basic assumption, maximum liability is correspondingly increased with inflation for every year. Therefore, discounted rate refers to estimated real interest rate after correction of the effects of future inflation. To conclude, As at 31 January 2021 and 2020, liabilities in integral part of consolidated financial statements, are calculated by the way of estimating the fair value of the liability caused by possible retirement of employees Accordingly, the liability is calculated using the following actuarial assumptions.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

17 Employee benefits (continued)

Provision for employment termination benefits (continued)

	31 January 2021	31 January 2020
Discount rate (%)	4.86	4.86
Estimated inflation (%)	7.00	7.00

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

For the years ended 31 January 2021 and 2020 the movement of provision for severance pay liability is as follows:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Opening balance	7,931	5,018
Interest cost	689	617
Service cost	4,236	8,657
Paid benefits	(4,920)	(7,680)
Effect of movements in exchange rates	39	195
Actuarial difference	1,106	1,124
Ending balance	9,081	7,931

18 Payables to employees

As at 31 January 2021 and 2020 payables to employees are as follows::

	31 January 2021	31 January 2020
Payables to personnel ⁽¹⁾	28,196	28,955
Social security premiums payable	10,667	5,759
	38,863	34,714

⁽¹⁾ Payables to personnel consist of the salary and wages to be paid in the following month.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

19 Other asset and liabilities

Other current assets

As at 31 January 2021 and 2020, other current assets are as follows:

	31 January 2021	31 January 2020
Deductible value added tax ("VAT")	24,055	17,726
	24,055	17,726

Other current liabilities

As at 31 January 2021 and 2020, other current liabilities are as follows:

	31 January 2021	31 January 2020
Advances received	12,484	7,992
	12,484	7,992

20 Capital, reserves and other capital reserves

Paid-in capital

As at 31 January 2021 and 2020, paid capital is as follows:

	%	31 January 2021	%	31 January 2020
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
	100.00	49,657	100.00	49,657

As of 31 January 2021 paid-in capital of the Company comprises 49,657,000 shares (31 January 2020: 49,657,000 shares) of TL 1 each (31 January 2020: TL 1 each).

The Company comprises of A and B group shares.

- As long as Blue International Holding B.V., its shareholders and/or affiliates and subsidiaries hold at least 20% of the capital or voting rights of the Company (aggregate Class A and Class B shares), half of the members of the Company's Board of Directors shall be elected from among the persons to be nominated by Class A shareholders. The Board of Directors members to be elected from among the nominees of the Class A shareholders shall be members other than the independent members stipulated under the Corporate Governance Principles of the Capital Markets Board.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

20 Capital, reserves and other capital reserves (continued)

Paid-in capital (continued)

- Provided that the quorums stipulated under the Capital Markets Law and the Turkish Commercial Code are reserved, in order for the Company's General Assembly to pass a resolution on the matters listed below and on amendments to these Articles of Association on any of such matters ("Matters Requiring Increased General Assembly Resolution Quorum"), the affirmative votes of all of the Class A Shareholders shall also be required:

- σ Changing the Company's field of operation, entering into new lines of business or abandoning existing lines of business.
- σ Capital increases of the Company other than those to be effected within the registered capital system, liquidation or dissolution of the Company, any capital decrease, change of legal form of the Company.
- σ Filings for bankruptcy, concordat, financial restructuring, adjournment of bankruptcy.
- σ Transfer of all or a substantial part of the Company's commercial enterprise.
- σ Changes to the privilege of Class A Shareholders to nominate Board Members, or to the structure of the Board of Directors.
- σ Changes to the meeting and resolution quorums of the Board of Directors and committees of the Company.
- σ Approval of the annual activity report, the profit and loss statement and the balance sheet, and release of the Board members from liability.

If, following the public offering, Blue International Holding B.V., its shareholders and/or affiliates and subsidiaries do not hold at least 20% of the capital or voting rights of the Company (aggregate Class A and Class B shares), the increased quorum stated above for the Matters Requiring Increased General Assembly Resolution Quorum shall automatically cease to be effective, without the possibility of being rejuvenated at a later date.

The Company has adopted the registered capital system under the provisions of the Capital Markets Law, and has initiated the registered capital system based on the permission of the Capital Markets Board dated 3 March 2017 No.9/332.

The upper limit of the Company's registered capital is TL245.000.000.-, which is divided into 245.000.000 registered shares, each with a nominal value of TL 1.- (one Turkish Lira).

Remeasurement loss on defined benefit plans

Amounts include actuarial gains and losses recognized in other comprehensive income.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

20 Capital, reserves and other capital reserves (continued)

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. As at 31 January 2021, the Company's legal reserves are amounting to TL 19,771 (31 January 2020: TL 19,771).

Dividends

As of 31 January 2021, no dividends were distributed to shareholders (31 January 2020: nil)

Financial hedging reserve

The hedging reserve consists of the effective part of the accumulated net change in its fair value from cash flow hedging to the subsequent recognition of instruments for hedging purposes.

Purchase of share of entities under common control

On 2 December 2011 the Company merged with Mavi Grup Giyim Ticaret A.Ş. ("Mavi Grup"). Mavi Grup had owned the Company's shares in amount of 99.9% until the date of this merger. The difference between investment and share capital of the Company amounting to TL 35,757 has been recognized as an equity transaction as purchase of share of entities under common control.

21 Revenue

For the years ended 31 January 2021 and 2020, revenue comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Goods and service revenue		
-Retail	1,402,079	1,889,106
-Wholesale	694,449	828,375
-E-commerce	305,280	145,401
	2,401,808	2,862,882

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

22 Cost of sales

For the years ended 31 January 2021 and 2020, cost of sales comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Cost of trade goods sold	1,241,704	1,458,268
	1,241,704	1,458,268

23 Administrative expenses, selling and marketing expenses

For the years ended 31 January 2021 and 2020, administrative expenses comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Personnel expenses	101,178	104,562
Depreciation and amortization expenses (Note 11, 12, 14)	35,288	26,432
Consultancy expenses	7,929	5,125
Office materials expenses	7,146	6,588
General office expenses	3,408	3,078
Rent expenses ⁽¹⁾	2,033	1,470
Travel expenses	1,272	2,179
Other	15,029	12,526
	173,283	161,960

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

23 Administrative expenses, selling and marketing expenses (continued)

For the years ended 31 January 2021 and 2020, selling and marketing expenses comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Depreciation and amortization expenses (Note 11, 12, 14)	265,012	248,174
Personnel expenses	262,434	286,991
Rent expenses ⁽¹⁾	96,061	100,607
Outsourced logistics expenses	46,845	40,993
Advertising expenses	44,396	42,175
Freight-out expenses	38,841	32,184
Travel expenses	4,443	7,952
Other	122,115	98,101
	880,147	857,177

⁽¹⁾Rent expenses covers rent payments calculated on turnover, building management and utilities.

24 Research and development expenses

For the years ended 31 January 2021 and 2020, research and development expenses comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Personnel expenses	20,571	17,678
Depreciation and amortization expenses (Note 11, 12, 14)	11,365	5,648
Travel expenses	317	948
Other	1,420	1,584
	33,673	25,858

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

25 Other income and expense

For the years ended 31 January 2021 and 2020, other operating income comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Interest income on payables, net	6,164	--
Foreign exchange gain	3,408	3,512
Investment support income	2,990	3,859
Salary protocol income	1,977	1,015
Income from lease contract terminations	1,185	208
Reversal of expected credit loss	254	462
Other	4,564	1,120
	20,542	10,176

For the years ended 31 January 2021 and 2020, other expenses comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Foreign exchange gain and loss, net	945	1,178
Non-deductible tax expense related with previous period	597	--
Expected credit loss	417	172
Interest expense on trade payables, net	--	5,276
Other	942	1,167
	2,901	7,793

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

26 Gains and losses from investment activities

For the years ended 31 January 2021 and 2020, gains from investment activities comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Gain on sale of fixed assets	--	105
	--	105

For the years ended 31 January 2021 and 2020, losses from investment activities comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Losses on sale of fixed assets	1,410	913
	1,410	913

27 Expenses by nature

For the years ended 31 January 2021 and 2020, expenses by nature are as follows:

Depreciation and amortization expenses

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Selling and marketing expenses (Note 23)	265,012	248,174
Administrative expenses (Note 23)	35,288	26,432
Research and development expenses (Note 24)	11,365	5,648
	311,665	280,254

Expenses related to personnel

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Selling and marketing expenses (Note 23)	262,434	286,991
Administrative expense (Note 23)	101,178	104,562
Research and development (Note 24)	20,571	17,678
	384,183	409,231

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

27 Expenses by nature (continued)

Expenses related to personnel (continued)

For the years ended 31 January 2021 and 2020, the details of expenses related to personnel are as follows:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Wages and salaries	246,332	230,022
Bonus expense	54,027	76,775
Social security premiums	34,801	40,561
Meal expenses	17,961	19,832
Overtime expenses	6,163	9,473
Employee termination benefit expenses	5,464	14,240
Personnel travel expenses	5,319	6,263
Other	14,116	12,065
	384,183	409,231

28 Finance income

For the years ended 31 January 2021 and 2020, finance income comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Interest income on time deposits	57,901	6,254
Foreign exchange gain	9,640	2,072
Other ⁽¹⁾	100,306	98
	167,847	8,424

⁽¹⁾Other finance income consists of discounts related with rent payments amounting TL 100,300 due to COVID-19 pandemic.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

29 Finance costs

For the years ended 31 January 2021 and 2020, finance costs comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Interest expense on:		
Interest expenses on purchases	31,241	53,530
Financial liabilities measured at amortised cost	88,700	73,577
Interest expenses on contractual lease liabilities	66,568	74,080
	186,509	201,187
Change in fair value of forward contracts	--	865
Credit card commission expenses	8,420	9,634
Foreign exchange loss	22,481	5,358
Import financing expenses	19,829	13,122
Other	7,363	1,927
	244,602	232,093

30 Income taxes

Corporate tax

In Turkey, corporate tax rate is 22% as of 31 January 2021 (2020: 22%). However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 22% (2020: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 January 2021. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

30 Income taxes (continued)

Corporate tax (continued)

As of 31 January 2021 and 2020 tax rates used in deferred tax calculation according to the tax laws of the countries except Turkey is as follows:

Country	31 January 2021	31 January 2020
Russia	20%	20%
Germany	28.4%	30%
Netherlands	20%	20%
America	23.14%	23.14%
Canada	26.88%	26.88%

Provision is made in the accompanying consolidated financial statements for the estimated charge based on the each of the Group entities' results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income (if any, past year losses and investment incentives if preferred). In Turkey, advance tax returns are filed on a quarterly basis. Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate (Between 1st -25th days of the fourth month following the closing of the period for those with special accounting periods). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Foreign subsidiaries are subject to the tax legislation in the respective countries and necessary provisions for tax expense have been reflected in the financial statements.

Under the Turkish taxation system, 75% of profit gained from sale of property, plant and equipment of subsidiaries owned at least 2 years can be recognized as exempt income on condition that would be added to equity in following five years. The remaining 25% is subject to corporate tax.

The tax legislation in Turkey does not allow the parent company and its subsidiaries to issue a consolidated tax declaration. For this reason, the tax provisions reflected in the consolidated financial statements are separately calculated for each company subject to consolidation.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

30 Income taxes (continued)

Corporate tax (continued)

USA

The United States imposes a tax on the profits of US resident corporation at a rate of 21%. Taxable corporate profits are equal to a corporation’s receipts less allowable deductions—including the cost of goods sold, wages and other employee compensation expenses, interest, nonfederal taxes, depreciation, and advertising. US-based corporations owned by foreign multinational companies generally face the same US corporate tax rules on their profits from US business activities, as do US-owned corporations. In addition to the federal taxes, US income can be taxed at the state and local government levels as well. State tax rates vary from 0% to 13%, and the state income tax paid is deductible for federal income tax purposes.

Russia

In Russia, the tax system has a legislative nature that is often changed by the authorities. 20%. Tax authorities and "delay penalties" may be subject to investigation and investigation by competent authorities. A tax year is the primary consolidation that follows up to be examined by tax authorities. The recent events in Russia show that they are more stable in the interpretation and implementation of tax legislation. Financial losses can be carried for a period of three years to be deducted from the profit of the institution.

Germany

Germany’s effective corporate tax rate, including trade tax and solidarity tax is about 28.4%. Germany’s overall income tax rate for corporations includes corporate income tax at a rate of 15%, solidarity surcharge at a rate of 0.825% (5.5 %of the corporate income tax) and municipal trade tax which varies between 7% and 17.64%. Losses can be carried forward for offset against future taxable income indefinitely.

However, the offset is limited: losses may be offset against profits up to EUR 1,000 thousand without restriction, but only 60% of income exceeding EUR 1,000 thousand may be offset against loss carry forwards.

Netherland

The Dutch corporate tax rate for corporations is 20% for profits up to EUR 200,000 and 25% for excess. There is a one-sided decree issued to prevent double taxation for established companies in the Netherlands and, if there is no tax treaty, items such as profits from permanent foreign operations are not taxed. Dividend payments are subject to 5% tax.

In the Dutch tax system, financial losses can be carried forward for nine years to be deducted from future taxable income. Financial losses can be carried back up to one year ago. Companies must file their tax declarations within nine months of the end of the relevant year unless they request additional time (under normal circumstances for an additional period of nine months). Tax declarations are open for five years following their completion.

Tax authorities have the right to audit tax returns and related accounting records, and disclosures may be amended according to audit findings.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

30 Income taxes (continued)

Corporate tax (continued)

Canada

Canada’s federal-provincial general corporate income tax rate is 26.88%. Tax losses can be carried forward for 20 years.

Withholding income tax

Except for the dividends paid to non-resident corporations which have a representative office in Turkey or resident corporations, dividends are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Tax Expense

For the years ended 31 January 2021 and 2020, tax expense recognized in profit loss comprised the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Current tax expense:		
Current year tax expense	(9,560)	(49,313)
	(9,560)	(49,313)
Deferred tax income		
Deferred tax (expense)/ income on temporary differences	5,126	19,675
Total tax expense	(4,434)	(29,638)

For the years ended 31 January 2021 and 2020, tax income recognized in other comprehensive income the following:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Tax income/(expense), net:		
Deferred taxes related to remeasurements of defined benefit liability/ assets, net	198	247
Deferred taxes related to cash flow hedge reserve	1,988	(2,371)

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

30 Income taxes (continued)

Tax Expense (continued)

As at 31 January 2021 and 2020, the details of the current tax assets/liabilities is as follows:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Taxes (receivable)/ payable related to prior year, net	4,234	(13,073)
Current year tax expense	9,560	49,313
Corporate taxes paid	(25,225)	(32,006)
Total tax (assets)/liabilities, net	(11,431)	4,234
Current tax asset	(17,738)	(2,701)
Current tax liabilities	6,307	6,935

Reconciliation of effective tax rate

The reported taxation charge For the years ended 31 January 2021 and 2020 are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	%	1 February 2020– 31 January 2021	%	1 February 2019 – 31 January 2020
Profit for the year		8,043		107,887
Total income tax expense		(4,434)		(29,638)
Profit before tax		12,477		137,525
Income tax using domestic tax rate	(22)	(2,745)	(22)	(30,255)
Effect of tax rates in foreign jurisdictions	(2.6)	(324)	1.6	2,184
Non-deductible expenses ⁽¹⁾	(20.7)	(2,585)	(2.4)	(3,239)
Tax exempt income	20.4	2,546	1.8	2,462
Change in unrecognized temporary differences	(2.7)	(334)	--	--
Tax incentive	4.1	510	(0.7)	(1,000)
Impact of change in tax rate	(12.1)	(1,509)	--	--
Other	0.1	7	0.2	210
Current tax expense	(35.5)	(4,434)	(21.6)	(29,638)

⁽¹⁾For the year ended 31 January 2021 tax effect of non-deductible expenses mainly consists of inventory counting differences amounting to TL 6,400 (31 January 2020: Inventory counting differences: TL 10,936).

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

30 Income taxes (continued)

Tax Expense (continued)

Unrecognized deferred tax asset

For the year ended 31 January 2021 the Group has not any deferred tax assets from tax losses carried forward (31 January 2020: nil).

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 January 2021 and 2020 are attributable to the items detailed in the table below:

	31 January 2021		
	Assets	Liabilities	Net amount
Property and equipment	32,678	440	33,118
Intangible assets	(114)	(43,060)	(43,174)
Right of use asstes	437	(72,538)	(72,101)
Inventories	6,982	(532)	6,450
Due from related parties	--	(221)	(221)
Trade and other receivables	863	63	926
Derivatives	1,721	--	1,721
Trade and other payables	(563)	(373)	(936)
Provisions	2,650	--	2,650
Employee benefits	2,344	--	2,344
Loans and borrowings	(35)	--	(35)
Contractual lease liabilities	78,229	--	78,229
Other temporary differences	2,309	(645)	1,664
Total	127,501	(116,866)	10,635
Set-off tax	(105,250)	105,250	
	22,251	(11,616)	

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

30 Income taxes (continued)

Tax Expense (continued)

Unrecognized deferred tax asset

Deferred tax assets and liabilities as at 31 January 2021 and 2020 are attributable to the items detailed in the table below:

	31 January 2020		
	Assets	Liabilities	Net amount
Property and equipment	29,425	(393)	29,032
Intangible assets	--	(40,714)	(40,714)
Right of use assets	543	(77,842)	(77,299)
Inventories	4,760	(891)	3,869
Due from related parties	--	(217)	(217)
Trade and other receivables	212	(367)	(155)
Derivatives	--	(264)	(264)
Trade and other payables	1,754	(368)	1,386
Provisions	2,428	--	2,428
Employee benefits	1,464	--	1,464
Loans and borrowings	11	--	11
Contractual lease liabilities	83,914	--	83,914
Other temporary differences	1,596	--	1,596
Total	126,107	(121,056)	5,051
Set-off tax	(120,524)	120,524	
	5,583	(532)	

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the year ended 31 January 2021
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

30 Income taxes (continued)

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

	1 February 2020	Recognised in profit or loss	Recognised in comprehensive income	Effect of movements in exchange rates	31 January 2021
Property and equipment	29,032	4,091	--	(6)	33,117
Intangible assets	(40,714)	(241)	--	(2,218)	(43,173)
Inventories	3,869	2,475	--	106	6,450
Due from related parties	(217)	--	--	(3)	(220)
Trade and other receivables	(155)	1,027	--	54	926
Derivatives	(267)	--	1,988	--	1,721
Right of use assets	(77,299)	5,100	--	98	(72,101)
Trade and other payables	1,386	(2,317)	--	(5)	(936)
Contractual lease liabilities	83,914	(5,684)	--	--	78,230
Provisions	2,428	220	--	2	2,650
Employee benefits	1,464	676	198	5	2,343
Loans and borrowings	11	(46)	--	--	(35)
Other temporary differences	1,599	(175)	--	239	1,663
	5,051	5,126	2,186	(1,728)	10,635

	1 February 2019	Recognised in profit or loss	Recognised in comprehensive income	Effect of movements in exchange rates	31 January 2020
Property and equipment	22,895	6,223	--	(86)	29,032
Intangible assets	(39,266)	304	--	(1,752)	(40,714)
Inventories	2,146	1,687	--	36	3,869
Due from related parties	(183)	--	--	(34)	(217)
Trade and other receivables	(578)	438	--	(15)	(155)
Derivatives	2,107	--	(2,371)	--	(264)
Right of use asstes	--	(77,299)	--	--	(77,299)
Trade and other payables	(581)	2,024	--	(57)	1,386
Contractual lease liabilities	--	83,914	--	--	83,914
Provisions	1,925	457	--	46	2,428
Employee benefits	462	847	247	(92)	1,464
Loans and borrowings	(4)	15	--	--	11
Other temporary differences	271	1,065	--	260	1,596
	(10,806)	19,675	(2,124)	(1,694)	5,051

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

31 Earnings per share

The amount of earnings per share is calculated by dividing the net period profit attributable to the owners of the Company shares by the weighted average share of the company's shares during the period. The calculation of earnings per share for the years ended 31 January 2021 and 2020 is as follows:

	31 January 2021	31 January 2020
Net profit for the year attributable to owners of the Company	4,583	94,844
Weighted average number of ordinary shares (basic)	49,657	49,657
Earnings per ordinary share	0.0923	1.9100

32 Derivatives

As at 31 January 2021 and 2020, short term derivatives are as follows:

	31 January 2021	31 January 2020
Assets from the forward exchange contracts	--	1,214
Liability from the forward exchange contracts	(8,601)	--
	(8,601)	1,214

As of 31 January 2021, the Group has open forward exchange contracts to hedge the foreign currency risk on inventory purchases in amount of USD 15,075 thousand in equivalent of TL 110,373. By applying hedge accounting, the fair value difference of TL 8,601, resulting from such forward transactions, is recognized in other comprehensive income.

33 Financial instruments

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- σ Credit risk
- σ Liquidity risk
- σ Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

33 Financial instruments (continued)

Risk management of framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer.

The companies operating under these segments have set a credit policy under which each new customer is analysed individually for the creditworthiness before each company's standard payment and delivery terms and conditions are offered.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The allowance is provided for receivables that are legally insolvent.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The Group exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer. The Group closely monitors its customers and the risks are monitored by limiting the aggregate risk to any individual counterparty. The Group secures a portion of its receivables through the use of the Direct Debiting System ("DDS") and the use of credit cards by customers. In Turkey, the banks provide credit limits for the Group's customers through DDS and credit cards and the Group collects its receivables from the banks when due. As of 31 January 2021, the DDS limit of the Company is amounting TL 175,369 thousand (31 January 2020: 148,768 thousand). The Company also obtains guarantees from its customers as another means of securing its receivables.

Management believes that the unimpaired amounts that are pass due by more than 30 days are still collectable in full, based on the historical behavior and analysis of customer credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

33 Financial instruments (continued)

Liquidity risk (continued)

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Market risk

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

Currency risk

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

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

Interest rate risk

The Group is not exposed to the risk of interest rate since the Group does not have any variable interest rate borrowings.

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.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

34 Nature and level of risks related to financial instruments

Credit risk

The carrying amounts of financial assets shows the maximum credit risk exposure. As of the reporting date, the maximum exposure to credit risk is as follows:

31 January 2021	Receivables				Cash and cash equivalents ⁽²⁾
	Trade receivables		Other receivables		
	Related party	Other	Related party	Other ⁽¹⁾	
The maximum exposure to credit risk as financial instruments (A+B+C+D)	--	231,378	--	16,478	888,194
- Portion of maximum risk covered by guarantees	--		--		
A. Net book value of financial assets that are neither past due not impaired	--	208,690	--	16,478	888,194
B. Net book value of financial assets which are overdue, but not impaired	--	--	--	--	--
C. Net book value of impaired assets	--	22,688	--	--	--
- Overdue (gross book value)	--	22,175	--	--	--
- Impairment (-)	--	(22,175)	--	--	--
-Secured portion of net amount by guarantees	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion of net amount by guarantees	--	--	--	--	--
D. Elements including credit risk on off consolidated statement of financial position	--	--	--	--	--

31 January 2021	Receivables	
	Trade receivables	Other receivables
Past due between 1-30 days	9,698	--
Past due between 1-3 months	12,462	--
Past due between 3-12 months	528	--
Total past due	22,688	--

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

⁽²⁾ Cash and cash equivalents exclude cash on hand

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

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

Credit risk (continued)

31 January 2020	Receivables				Cash and cash equivalents ⁽²⁾
	Trade receivables		Other receivables		
	Related party	Other	Related party	Other ⁽¹⁾	
The maximum exposure to credit risk as financial instruments (A+B+C+D)	--	231,101	--	20,474	309,323
- Portion of maximum risk covered by guarantees	--		--		
A. Net book value of financial assets that are neither past due not impaired	--	219,679	--	20,474	309,323
B. Net book value of financial assets which are overdue, but not impaired	--	11,422	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	8,130	9,579	--	--	--
- Impairment (-)	(8,130)	(9,579)	--	--	--
-Secured portion of net amount by guarantees	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion of net amount by guarantees	--	--	--	--	--
D. Elements including credit risk on off consolidated statement of financial position	--	--	--	--	--

31 January 2020	Receivables	
	Trade receivables	Other receivables
Past due between 1-30 days	7,268	--
Past due between 1-3 months	3,055	--
Past due between 3-12 months	1,099	--
Total past due	11,422	--

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

⁽²⁾ Cash and cash equivalents exclude cash on hand.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

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

Credit risk (continued)

Impairment

For the years ended 31 January 2021 and 2020, movement of the provision for doubtful receivables is as follows:

	1 February 2020 – 31 January 2021	1 February 2019 – 31 January 2020
Balance beginning	17,709	16,578
Current year provision	2,866	490
Allowances no longer required	(61)	(128)
Write-offs	(1,726)	(358)
Effect of movements in exchange rates	3,387	1,127
Balance ending	22,175	17,709

The Group monitors the collectability of its trade receivables periodically and records provision for potential losses on doubtful receivables based on historical collection rates. Subsequent to recognition of allowance for doubtful receivables, partial or full recovery of doubtful receivables will be recorded under profit or loss with an offset to provision for doubtful receivables.

Liquidity risk

As at 31 January 2021 and 2020, maturities of financial liabilities including estimated interest payments based on repayment schedules are included below:

31 January 2021	Note	Carrying amount	Contractual cash	3 month or less	3-12 months	1-5 year	5 year than more
Non derivative financial liabilities							
Bank loans	5	926,541	1,156,889	94,698	721,581	340,610	--
Contractual lease liabilities	5	478,618	602,617	69,580	163,583	333,889	35,565
Trade payables to third parties	7	481,899	601,527	510,176	90,961	390	--
Trade payables to related parties	6	156,296	148,767	141,103	7,664	--	--
Other payables to related parties	6	176	176	176	--	--	--
Payables to employees	18	38,863	38,863	38,863	--	--	--
Total		2,082,393	2,548,839	854,596	983,789	674,889	35,565

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

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

Liquidity risk (continued)

As at 31 January 2021 and 2020, maturities of financial liabilities including estimated interest payments based on repayment schedules are included below:

31 January 2020	Note	Carrying amount	Contractual cash	3 month or less	3-12 months	1-5 year	5 year than more
Non derivative financial liabilities							
Bank loans	5	319,792	347,390	78,246	168,375	100,769	--
Contractual lease liabilities	5	438,723	575,030	62,526	149,649	362,855	--
Trade payables to third parties	7	400,479	402,144	357,901	43,973	270	--
Trade payables to related parties	6	196,804	199,096	192,270	6,796	30	--
Other payables to related parties	6	126	126	126	--	--	--
Payables to employees	18	34,714	34,714	34,714	--	--	--
Total		1,390,638	1,558,500	725,783	368,793	463,924	--

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

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

Market risk

Currency risk

As of 31 January 2021 the Group's foreign currency position specified in the following table arises from foreign currency is denominated as assets and liabilities.

	TL Equivalent	USD	Euro	Other
1. Trade receivables	5,071	304	--	2,845
2a. Monetary financial assets (including cash. banks)	51,030	4,260	1,711	4,661
2b. Non-monetary financial assets	--	--	--	--
3. Other	2,213	303	--	--
4. Current assets (1+2+3)	58,314	4,867	1,711	7,506
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)	58,314	4,867	1,711	7,506
10. Trade payables	4,780	304	274	126
11. Financial liabilities	64,488	122	7,168	--
12a. Monetary other liabilities	--	--	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	69,268	426	7,442	126
14. Trade payables	--	--	--	--
15. Financial liabilities	1,852	42	175	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	1,852	42	175	--
18. Total liabilities (13+17)	71,120	468	7,617	126
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	(110,373)	(15,075)	--	--
19a. Hedged total asset	--	--	--	--
19b. Hedged total liabilities	110,373	15,075	--	--
20. Position of net foreign currency assets/liabilities (9-18+19)	(123,179)	(10,676)	(5,906)	7,380
21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)	(15,019)	4,096	(5,906)	7,380

As at 31 January 2021, Mavi Turkey has trade receivables amounting to TL 24,505 from consolidated subsidiaries which comprise; EUR 2,451 thousand, USD 127 thousand, CAD 208 thousand and RUB 6,775 thousand. These amounts have been eliminated in consolidation. Considering these receivables, the Group's net foreign currency monetary assets position amounts to TL 9,486.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

34 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 is denominated as assets and liabilities.

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

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

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

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

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

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

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

Foreign Currency Sensitivity Analysis				
31 January 2021				
	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	3,000	(3,000)	3,000	(3,000)
2- Hedged portion of TL against USD risk(-)	--	--	11,037	(11,037)
3- Net effect of USD (1+2)	3,000	(3,000)	14,037	(14,037)
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(5,240)	5,240	(5,240)	5,240
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
6- Net effect of EURO (4+5)	(5,240)	5,240	(5,240)	5,240
10% change of other against TL				
7- Net other denominated asset/liability	738	(738)	738	(738)
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	738	(738)	738	(738)
Total (3+6+9)	(1,502)	1,502	9,535	(9,535)

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

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

Market risk (continued)

Currency risk (continued)

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

Profile

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

Fixed interest rate items	31 January 2021	31 January 2020
Financial assets	703,769	148,310
Financial liabilities	(1,405,159)	(758,515)

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021

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

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

Profile (continued)

The fair value of fixed rate instruments risk:

The Group does not have any derivative instruments (interest rate swaps) accounted under fair value hedge accounting model or financial assets or liabilities for which fair values are recorded in profit or loss. Therefore, any changes in interest rates during the reporting period will not have an impact on profit or loss.

The fair value of variable rate instruments risk:

As the Group does not have any variable rate borrowings, changes in interest rates as of the reporting period will not have an impact on profit or loss.

Capital risk management

The Group's objectives when managing capital are to safeguard, and provide benefits to other stakeholders in order to reduce the cost of capital in order to maintain and protect the optimal capital structure of the Group.

To maintain or adjust the capital structure, the Group determines the amount of dividends paid to shareholders, issue new shares or may sell assets to reduce debt.

Group capital and net financial debt/equity ratio is followed using net financial debt less cash and cash equivalents; total financial debt is calculated by deducting from that amount.

As at 31 January 2021 and 2020, net debt / equity ratios are as follows:

	31 January 2021	31 January 2020
Loans and borrowings (Note 5) ⁽¹⁾	1,405,159	758,515
Cash and cash equivalents (Note 4)	(889,875)	(310,838)
Net financial liabilities	515,284	447,677
Equity	534,009	477,664
Net financial liabilities / equities rate	0.96	0.94

⁽¹⁾Lease liabilities are included arising from IFRS 16 .

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Financial Statements
As at for the year ended 31 January 2021
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

35 Financial risk management

Fair values

	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 January 2021							
Financial liabilities measured at fair value							
Derivatives	(8,601)	--	(8,601)	--	(8,601)	--	(8,601)
Total	(8,601)	--	(8,601)	--	(8,601)	--	(8,601)
31 January 2020							
Financial liabilities measured at fair value							
Derivatives	1,214	--	1,214	--	1,214	--	1,214
Total	1,214	--	1,214	--	1,214	--	1,214

Fair value disclosures

The Group estimates the fair values of financial instruments based on market information readily available and proper valuation approaches. The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used. When measuring fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

- σ Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- σ 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).
- σ Level 3: inputs for the asset or liability that are not based on observable market data.

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.)

36 Movement of cash flow used in financing activities

	31 January 2021	31 January 2020
Opening balance	758,515	376,044
Net cash flow used in financing activities	563,999	(47,216)
Effect of movements in exchange rates	36,699	1,184
Interest accrual	6,050	(5,672)
Payments of contractual lease liabilities	(180,563)	(243,461)
Non-cash movements of lease liabilities	220,459	682,184
Effect of change in bank overdrafts	--	(4,548)
Closing balance	1,405,159	758,515

37 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 and serve in accordance with weekend curfews and working hour limitations. Internationally, stores in Germany and Canada re-opened in May, and stores in Russia started re-opening in June and all stores are open since September. International operations continue in accordance with limitations related to pandemic in respective markets. Mavi.com, marketplace, and wholesale e-com channels remained open since May.

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 January 2021 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.

38 Subsequent events

None.

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.)

APPENDIX 1 Ebitda reconciliation

EBITDA is not a defined performance measure in IFRS. EBITDA reconciliation for the year ended 31 January 2021 and 2020 are as follows:

The Directors of the Group have presented the performance measure EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance. Profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation and amortization.

EBITDA is not a defined performance measure under IFRS. Reconciliation of EBITDA For the years ended 31 January 2021 and 2020 are as follows:

	Note	31 January 2021	31 January 2020
Profit		8,043	107,887
Income tax expense	30	4,434	29,638
Profit before tax		12,477	137,525
Adjustment for:			
-Net finance costs		76,755	223,669
Payables interest income (net)		(6,164)	5,276
Foreign exchange gain and loss (net)		(2,463)	(2,334)
-Depreciation and amortisation	27	311,665	280,254
EBITDA		392,270	644,390

As of 31 January 2021 IFRS 16 has an impact of TL 181,758 (31 January 2020 : TL 243,669) on EBITDA.

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.)

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 January 2021	IFRS 16 Effect	After IFRS 16
Current assets	1,787,444	(700)	1,786,744
Non-current assets	485,123	435,883	921,006
Current liabilities	1,567,432	218,574	1,786,006
Non-current liabilities	136,372	251,363	387,735
Equity	568,763	(34,754)	534,009
	1 February – 31 January 2020	IFRS 16 Effect	After IFRS 16
Operating profit / (loss)	133,081	(42,439)	90,642
Operating profit / (loss) before finance costs	131,672	(42,440)	89,232
Finance income	67,547	100,300	167,847
Finance expense	(176,883)	(67,719)	(244,602)
Profit / (loss) before tax	22,336	(9,859)	12,477
Net profit / (loss)	15,873	(7,830)	8,043
EBITDA	210,512	181,758	392,270



General Assembly

13

**AGENDA OF THE ORDINARY GENERAL ASSEMBLY OF
MAVİ GİYİM SANAYİ VE TİCARET A.Ş.
DATED 28 APRIL 2021 FOR THE SPECIAL ACCOUNTING
PERIOD OF FEBRUARY 2020–31 JANUARY 2021**

1. Opening and Election of the Meeting's Chairperson,
2. Reading, discussion and approval of the Annual Report prepared by the Company's Board of Directors for the special accounting period of 1 February 2020–31 January 2021,
3. Reading of the Independent Audit Report Summary for the special accounting period of 1 February 2020–31 January 2021,
4. Reading, discussion and approval of the Financial Statements relating to the special accounting period of 1 February 2020–31 January 2021,
5. Release of the Board of Directors' members separately and individually from their liabilities with respect to their activities within the Company's special accounting period of 1 February 2020–31 January 2021,
6. Approval of the Board of Directors' proposal prepared within the framework of the Dividend Distribution Policy on the determination of the manner of utilization and distribution of the profit for the special accounting period of 1 February 2020–1 January 2021 and distribution of retained earnings, the applicable dividend distribution ratios and the date of dividend distribution,
7. Election of the Board of Directors' members and determination of their terms of office,
8. Informing the shareholders on the Remuneration Policy which sets out the principles of remuneration of the Board Members and the Senior Executives in accordance with the Capital Markets Board's regulations and providing information regarding the attendance fees paid to the Board of Directors' members in accordance with such Policy within the special accounting period of 1 February 2020–31 January 2021,
9. Determination of the salaries and other rights of Board of Directors' Members such as attendance fees, bonuses and premiums,
10. Appointment of the auditor,
11. Informing the shareholders on the donations made by the Company within the special accounting period of 1 February 2020–31 January 2021 and determination of an upper limit for the donations to be made within the special accounting period of 1 February 2021–31 January 2022,
12. Informing the shareholders on the securities, pledges, collaterals and mortgages granted to third parties within the special accounting period of 1 February 2020–31 January 2021 in accordance with the Capital Markets Board regulations and the revenues or benefits obtained in connection therewith,
13. Granting authority to the members of the Board of Directors in accordance with sections 395 and 396 of the Turkish Commercial Code, and informing the shareholders on the transactions carried out during the special accounting period between 1 February 2020–31 January 2021, in accordance with the mandatory principle 1.3.6 of the Corporate Governance Communiqué as promulgated by the Capital Markets Board,
14. Wishes and requests.

2. DIVIDEND DISTRIBUTION POLICY

The purpose of the dividend distribution policy is to ensure that a balanced and consistent policy is implemented pursuant to the applicable legislation in relation to the interests of the investors and the Company, inform the investors sufficiently and maintain a transparent policy toward the investors.

The general assembly, upon the proposal of the Board of Directors, resolves on the distribution of dividends and the timing and manner of such distribution. To the extent allowed by applicable regulations and financial resources, and taking into account market expectations, long term strategies of the Company, needs of the subsidiaries and affiliates, investment and financing policies and profitability and cash reserves, the Company aims to distribute to the shareholders and other persons sharing the profit at least 30% of the distributable net profit calculated for the relevant period pursuant to the Articles of Association, TCC, CMB's Dividend Distribution Communiqué No. II-19.1 and tax legislation. Dividends may be distributed in cash and/or bonus shares and/or as a combination of both in certain ratios. Dividends are distributed equally to all shares in existence at the time of distribution, pro rata to their respective ratios and regardless of their date of issuance or their date of acquisition. Dividend payments may be made in equal or varying installments, provided that this is resolved upon during the general assembly meeting where the general assembly has resolved to make dividend distribution. The dividend distribution will commence on the date determined by the General Assembly, provided that the distribution is initiated before the end of the accounting period within which that General Assembly meeting takes place. The General Assembly's dividend distribution resolution, passed in accordance with the Articles of Association, may not be revoked unless permitted by applicable law. Should the Board of Directors propose not to distribute dividends, the reasons for this proposal and the manner in which the retained profit would be used will be explained under the agenda item concerning dividend distribution, and this information will be submitted to the shareholders during the General Assembly.

The Board of Directors' dividend distribution proposal or the Board resolutions relating to the distribution of advance dividends will be announced to the public in accordance with the relevant regulations, with the form and content of the relevant proposal/resolution, and the tables showing the dividend distribution or the advance dividend distribution, as applicable. Furthermore, to the extent any amendments to this dividend distribution policy are to be introduced, the Board resolution regarding such amendments shall be announced to the public with the reasons of amendment.

3. THE BOARD OF DIRECTORS' DIVIDEND DISTRIBUTION PROPOSAL FOR THE SPECIAL ACCOUNTING PERIOD DATED 1 FEBRUARY 2020–31 JANUARY 2021

It has been decided that the payment of TRY 30.347.418,72 total gross amount of cash covered from the 2019-2020 financial years dividends resulting in TRY 0,6111 (%61,11) gross payment per TRY 1 nominal value share to the approval of the shareholders at the Ordinary General Assembly Meeting in which the operating results of the special accounting period dated February 1, 2020-January 31, 2021 will be discussed.

According to the proposal, dividend payments will start on 30.07.2021.

4. DIVIDENT DISTRIBUTION TABLE

Mavi Giyim Sanayi ve Ticaret A.Ş. Profit Distribution Proposal for 2020 (TL)			
1. Paid-in Capital		49,657,000.00	
2. General legal reserves (as per statutory records)		19,165,758.02	
Information concerning preferred shares, if, as per the company Articles of Association, there are any privileges for preferred shares in distribution of dividends:No			
		As per Capital Markets Board	As per Statutory Records
3.	Profit for the period	12,477,000.00	30,844,939.88
4.	Taxes (-)	4,434,000.00	6,477,361.30
5.	Net Profit (=)	4.583.000,00	24,367,578.58
6.	Prior years' losses (-)	--	--
7.	Legal reserve fund (-)	--	--
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	4,583,000.00	24,367,578.58
	Dividend Advance Distributed (-)	--	--
	Dividend Advance Less Net Distributable Current Period Profit	4,583,000.00	24,367,578.58
9.	Grants made during the year (+)	1,328,620.61	--
10.	Net distributable profit including grants	5,911,620.61	24,367,578.58
11.	First category dividend to shareholders	--	--
	-Cash	1,773,486.18	1,773,486.18
	-Shares	--	--
	-Total	1,773,486.18	1,773,486.18
12.	Dividends distributed to preferred shareholders	--	--
13.	Other dividends distributed	--	--
	-Members of the Board of Directors	--	--
	-Employees	--	--
	-Non-shareholders	--	--
14.	Dividends distributed to holders of usufruct right certificates	--	--
15.	Second category dividend to shareholders	--	--
16.	Legal reserve fund	--	--
17.	Status reserves	--	--
18.	Special reserves	--	--
19.	EXTRAORDINARY RESERVES	2,809,513.82	22,594,092.40
20	Other sources planned for distribution	28,573,932.55	28,573,932.55
	-Prior years' income	28,573,932.55	28,573,932.55
	-Extraordinary reserves	--	--
	-Other distributable reserves as per the legislation and Articles of Association	--	--

Mavi Giyim Sanayi ve Ticaret A.Ş. Information on Dividend per Share for 2020					
GROUP	TOTAL DIVIDEND AMOUNT*		TOTAL DIVIDEND AMOUNT/ NET DISTRIBUTABLE PROFIT FOR THE PERIOD*	DIVIDEND PER SHARE FOR 1 TL NOMINAL VALUE	
	CASH (TL)	SHARES (TL)	RATIO (%)	AMOUNT (TL)	SHARE (%)
Gross	A (**)	66.182,27	--	0,07	61,11
	B (***)	30.281.236,45	--	30,46	0,6111
	Total	30.347.418,72	--	30,52	
Net	A (**)	59.564,04	--	0,06	55,00
	B (***)	25.739.050,98	--	25,89	0,5195
	Total	25.798.615,02	--	25,95	

**The dividend to be distributed from retained earnings is derived from the net distributable profit for the year 2019. The total gross and net dividend amounts and gross and net ratios mentioned in this table are calculated by taking into account the sum of the net distributable profits for the years 2019 ve 2020.

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

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

5. STATEMENTS OF INDEPENDENCE

DECLARATION FOR INDEPENDENCY

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Mavi Giyim Sanayi ve Ticaret A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in Capital Markets Board's ("CMB") Communiqué on Corporate Governance. In that regard I also confirm that;

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders.
- b) In the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have a shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided.
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member.
- d) I am deemed to be resident in Turkey according to Revenue Tax Law No.193 dated 31.12.1960.
- e) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations.
- f) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.
- g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities.
- h) I have not been on the board the Company for more than six years within last ten years.
- i) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total.
- j) I am not registered in the name of any legal entity elected as a board member.

Ahmet F. Ashaboğlu

DECLARATION FOR INDEPENDENCY

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Mavi Giyim Sanayi ve Ticaret A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in Capital Markets Board's ("CMB") Communiqué on Corporate Governance. In that regard I also confirm that;

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders.
- b) In the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have a shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided.
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member.
- d) I am deemed to be resident in Turkey according to Revenue Tax Law No.193 dated 31.12.1960.
- e) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations.
- f) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.
- g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities.
- h) I have not been on the board the Company for more than six years within last ten years.
- i) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total.
- j) I am not registered in the name of any legal entity elected as a board member.

Nevzat Aydın

DECLARATION FOR INDEPENDENCY

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Mavi Giyim Sanayi ve Ticaret A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in Capital Markets Board's ("CMB") Communiqué on Corporate Governance, I have benefited from the exemption regulated in the article 5 (6) of the Corporate Governance Communiqué numbered II-17.1 of the Capital Markets Board because of the other independent board members are being resident in Turkey under the Revenue Tax Law No.193 ("RTL") dated December 31, 1960 and for the nomination based on the RTL was not necessary to resident in Turkey. In that regard I also confirm that;

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders.
- b) In the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have a shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided.
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member.
- d) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations.
- e) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.
- f) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities.
- g) I have not been on the board the Company for more than six years within last ten years.
- h) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total.
- i) I am not registered in the name of any legal entity elected as a board member.

Yonca Dervişoğlu



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(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

To the General Assembly of Mavi Giyim Sanayi Ve Ticaret A.Ş.

1) **Opinion**

As we have audited the full set consolidated financial statements of Mavi Giyim Sanayi Ve Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group") for the period between 01/02/2020–31/1/2021, we have also audited the annual report for the same period.

In our opinion, the consolidated financial information provided in the Management's annual report and the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

2) **Basis for Opinion**

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under *Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report* in detail. We declare that we are independent from the Group in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") issued by POA and ethical provisions stated in the regulation of audit. We have fulfilled other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3) **Auditor's Opinion for the Full Set Consolidated Financial Statements**

We have presented unqualified opinion for the Group's full set consolidated financial statements for the period between 01/02/2020–31/1/2021 in our Auditor's Report dated 15 March 2021.

4) **Other Matter**

The consolidated financial statements of the Group as at and for the year ended 31 January 2020 were audited by another auditor who expressed an unqualified opinion on 12 March 2020.

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5) **Management's Responsibility for the Annual Report**

The Group's Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"):

- Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,
- Preparing the annual report with the all respects of the Group's flow of operations for that year and the Group's consolidated financial performance accurately, completely, directly and fairly. In this report, the consolidated financial position is assessed in accordance with the consolidated financial statements. The Group's development and risks that the Group may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.
- The annual report also includes the matters stated below:
 - The significant events occurred in the Group's activities subsequent to the financial year ends,
 - The Group's research and development activities,
 - The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Directors also considers the secondary regulations prepared by the Ministry of Trade and related institutions while preparing the annual report.

5) **Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report**

Our aim is to express an opinion and prepare a report about whether the Management's discussions and consolidated financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the SIA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit

The engagement partner on the audit resulting in this independent auditor's report is Cem Tovil.

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

Cem Tovil
Partner

İstanbul, 6 April 2021

DISCLAIMER

This Annual Report is prepared in accordance with the legal requirements to be presented to the Ordinary General Assembly, "for the special accounting period of 1 February 2019-31 January 2020." Report is prepared only to provide information to the shareholders, and it is not intended to form the basis of any investment decision.

To the extent available, the industry, market and competitive position data contained in this Report come from independent official or third party sources. Although the Company believes that these information are provided by reliable sources, it has not, however, independently verified accuracy and completeness of the information contained therein. In addition, some of the market and competitive position data contained in this Report come from the internal research and estimates based on the knowledge and experience of the Company's management in the markets that the Company operates. Although, the Company believes that the internal research and estimates are reasonable, accuracy and completeness of these research and estimates and methodologies and assumptions relevant with these research and estimates have not verified by independent third parties. The Company, its management and/or its employees and/or other related persons may not be held responsible for any direct or indirect loss that could arise from the use of the data stated in this Report.

Forward-looking statements included in this Report are subject to risks, uncertainties and other important factors which are known or unknown to the Company or which cannot be controlled or which can be controlled in a limited manner by the Company. These risks, uncertainties and other important factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such statements. Changes in customer tastes and spending patterns; changes in customer traffic; ability to accurately predict customer preferences and demands; ability to successfully implement new store rollout and retail strategy; effectiveness of brand awareness and marketing programs; difficulties that can be observed in retail fashion and fragility that can be observed in customer loyalty; competitive factors in retail fashion; impact of extreme unseasonal weather conditions on retail fashion; ability to retain key management and personnel; circumstances affecting relationships with major suppliers and distributors; currency and interest rate risks and fluctuations and other changes in financial markets and macro economic conditions; changes in tax rates, applicable laws and government policies and operational disruptions, natural disasters, wars, terrorist activities, work stoppages, slowdowns or strikes are, without any limitation of the foregoing, among these risks, uncertainties and other important factors. Explanations regarding risks, uncertainties and other important factors that may affect forward looking statements can be found in the explanatory notes of financial statements and in the "Risk Management and Internal Control System" section of this Report.

Forward-looking statements included in this Report are based on a number of assumptions relevant to the current and future business strategies of the Company and the business environment in which the Company operates. Forward-looking statements speak only as at the date on which they are made. The Company warns addressees of this Report that forward-looking statements does not constitute a guarantee as to the future performance and results of the Company and that actual results as to Company's financial position, expectations, growth, business strategy, plans and future operations may differ materially from forward-looking statements stated in this Report. In addition, even if the actual results and achievements as to Company's financial position, expectations, growth, business strategy, plans and future operations will be consistent with the forward-looking statements included in this Report, this consistency cannot be considered as an indicator as to any further future results and achievements. The Company, its management and/or its employees and/or other related persons may not be held responsible for any direct or indirect loss that could arise from the use of the forward-looking statements stated in this Report. The Report and the accompanying disclaimer are provided both in Turkish and English languages. In case of any discrepancy between Turkish and English version of Zthe Report and the accompanying disclaimer, Turkish version shall prevail. The Company believes that the information included in this Report is accurate as of the date of the Report and accepts no responsibility for any spelling or printing errors that may occur during the Report's preparation.