



mavi

Mavi Giyim Sanayi ve Ticaret A.Ş.
Interim Report for the Three Months Period
February 1 – July 31, 2022

TABLE of CONTENTS

- 1- Corporate Information
- 2- Operational and Financial Information
- 3- Market Information
- 4- Future Expectations
- 5- Other Developments
- 6- Summary Financial Tables

1- Corporate Information

This Interim Report is the Report of the Board of Directors, prepared according to CMB Communique II, Numbered 14.1; related to the six months of 2022, ended July 31, 2022. Throughout this report, the Company (Mavi Giyim Sanayi ve Tic. A.Ş.) and its subsidiaries will be defined as "Mavi", "Company" or "Group"

i. About Mavi

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

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

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

Fiscal year of the Company is between February 1 – January 31 in line with the fashion apparel business seasons; and this interim report is regarding the first six months ending July 31, 2022.

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

ii. Capital Structure

Company's shared capital consist of 99,314,000 shares, all of which are issued, fully paid and have a nominal value of TRY 1.00 each at the date of July 31, 2022. Authorized share capital limit is TRY 500,000,000.

Capital structure of the Group as of July 31, 2022 is as follows;

	%	31.07.2022
Fatma Elif Akarlılar	9.06	9,000,000
Seyhan Akarlılar	9.06	9,000,000
Hayriye Fethiye Akarlılar	9.06	9,000,000
Blue International Holding B.V.	0.22	216,586
Public	72.60	72,097,414
	100.00	99,314,000

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

At the Ordinary General Assembly meeting for the special accounting period of February 1, 2021 – January 31, 2022 held on April 27, 2022, it was resolved to increase the Company's registered capital ceiling from 245,000,000.- TL to 500,000,000.- TL, determining the validity period of the registered capital ceiling as 2022-2026 and increasing the issued capital of the Company from 49,657,000.- TL to 99,314,000. TL by fully converting the amounts in the "Retained Earnings" account into share capital. The capital increase is in effect as of 16 May 2022.

iii. Direct and Indirect Subsidiaries

Direct and indirect subsidiaries of the Company as at July 31, 2022 are as follows:

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

iv. Structure and Composition of the Board of Directors

As of July 31, 2022 the Board of Directors is as follows:

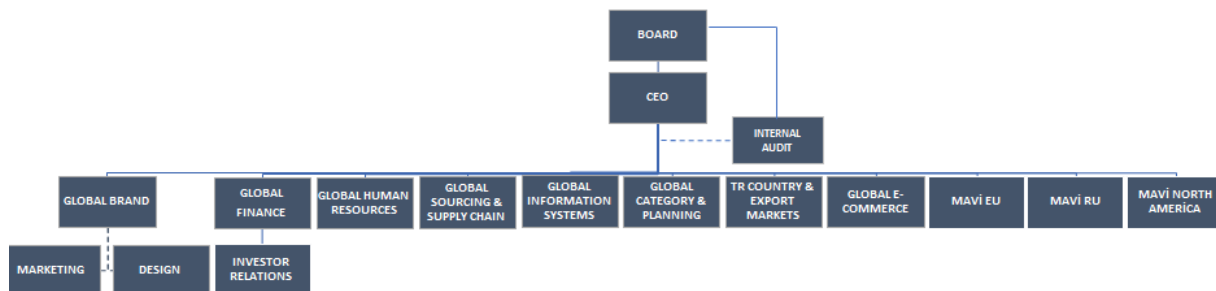
<u>Director</u>	<u>Role</u>	<u>Executive/Independent</u>
Ragıp Ersin Akarlılar	Chairman	Non-Executive
Ahmet F. Ashaboğlu	Vice Chairman	Independent
Fatma Elif Akarlılar	Member	Executive
Ahmet Cüneyt Yavuz	Member	Executive
Zeynep Yalım Uzun	Member	Independent
Nevzat Aydın	Member	Independent

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

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

v. Organization Structure and Management

As of July 31, 2022 Group's total number of employees is 5,541 (5,177 in Turkey, 364 in International offices) Following charts show the Company's organization structure and management team.



	Position	Starting Date
Cüneyt Yavuz	CEO	2008
Bige İşcan Aksaray	CFO	2019
Elif Akarlılar	Chief Brand Officer	1991

2 – Operational and Financial Information

i. Operational Developments

Global measures and restrictions related to the Covid-19 outbreak were gradually released since June 2021. In H1 2022 all countries Mavi operates had traded in normal trading hours. In the reporting period, macroeconomic developments in Turkey, high inflation environment and high consumer demand were effective on the business results.

In the first half of 2022, Mavi opened four stores and closed two store in Turkey. Including 329 monobrand retail stores and 69 franchise stores in Turkey, 22 retail stores and 41 franchise stores internationally Mavi meets its customers in 461 mono-brand stores and more than 4.500 sales points globally.

In the first half of 2022, Turkey retail sales grew 148%. Considering the second quarter in which stores were mostly fully open in both years, same store sales grew 118.7%. Parellel to the traffic increase of 40%, number of transactions grew 23% and basket size grew 78% in Q2 2022.

In the reporting period, international sales grew 116% in TRY terms and 15% constant currency.

Online sales comprising of Mavi.com and marketplace channels recorded 58% growth in Turkey and 123% growth in the international markets in the six months to July 31, 2022.

ii. Financial Developments

TRYm	H1 2021	H1 2022	Change (%)
Revenue	1,837	4,124	125%
Cost of Sales	(895)	(1,815)	103%
Gross Profit	942	2,309	145%
Gross Margin	51.3%	56.0%	
Profit	138	704	410%
Profit Margin	7.5%	17.1%	
EBITDA	404	1,109	174%
EBITDA Margin	22.0%	26.9%	

In the first half of 2022, total consolidated sales increased 125% year over year to 4 billion 124 million TRYm. Sales were realised with 56.0% gross margin, and 26.9% EBITDA margin.

In the reporting period, Turkey sales grew by 127% and international sales grew by 116% (15% in constant currency) compared to the same period last year. Global e-commerce sales grew by 75% and constituted 11% of total sales in the reporting period.

iii. Managements Discussion and Analysis

In the first half of 2022, strong brand strategy, dynamic product-price planning, newness and variety in response to high consumer demand resulted with high sell-through rates and lower markdowns. Meeting high consumer demand with the right product positioning in an inflationary pricing environment supported cost mitigation and resulted in 500 bps improvement in gross margins. All product categories grew in volume in Turkey and 6.2 mn denim items were sold globally growing 22%. Continued investments on brand and customer, focusing on product newness and quality resulted in market share gains. Management continues to prioritize dynamic supply chain management, efficient product planning and inventory management, strong balance sheet and zero fx positions for continued future success.

3 – Market Information

According to Turkstat, Turkey has a population of 84.6 mn as of the end of 2021 with men constituting 50.1% and women 49.9% and with median age of 33. Considering Mavi's loyal customer base whose core segment consists of young, fashion-conscious men and women under the age of 35, Turkey's young population is a positive catalyst in realising its growth targets.

From a competition standpoint, the Turkish apparel market includes a mix of local and international players. According to Ipsos Mavi is the market leader with 20% market share in 14+ age denim market and is among the top four apparel brands in both men and women.

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

Mavi is the the number one “top of mind” Jeans brand in Turkey with 60+% according to the 2019 brand perception study of Future Bright.

In the “Fortune 500” survey, Mavi is ranked 147th among the largest 500 enterprises in Turkey, and 1st among apparel, underwear, and sportswear brands. Mavi is one again named “coolest Turkish brand” and “coolest jeans brand” in Turkey's Cool Brands Survey and 2nd eco-sensitive sustainable brand according to the “Sustainable Fashion” survey both done by Marketing Turkey. In 2021, its sustainable collection All Blue was named the Most Sustainable Collection at The Rivet Awards announced by Sourcing Journal.

4 - Future Expectations

The company had announced its official guidance for 2022 on the public disclosure platform on June 9, 2022. As of this report the management is revising its expectations parallel to the six months results as such :

- Consolidated sales growth revised to 120% from 100% previously
- 3 net store openings and 13 expansions (vs 3 openings, 11 expansions previously)
- EBITDA margin revised to 19%±0,5% exc. IFRS16 and 24%±0,5% inc. IFRS16 (18% ±1% exc. IFRS16 and 24% ±1% inc. IFRS16 previously)
- Net cash position (exc. IFRS16) expectation confirmed
- Capex of 3% of consolidated sales confirmed

5 - Other Developments

- Ordinary General Assembly Meeting for the financial period of 1 February 2021 – 31 January 2022 was held on April 27, 2022. The general assembly resolutions have been registered under the Istanbul Trade Registry and published on the Turkish trade Registry Gazette on May 13, 2022.

- In the Ordinary General Assembly Meeting held on 27 April 2027, it was resolved to approve the cash payment of gross 120,428,712.01 TRY in dividend distribution proposal of the Board of Directors prepared in accordance with Article 15 of the Company's Articles of Association and Dividend Distribution Policy and to start the dividend payments on 16 August 2022.
- At the Ordinary General Assembly Meeting held on April 27, 2022, it was resolved to increase the Company's registered capital ceiling from 245,000,000.- TRY to 500.000.000,- TRY, determine the validity period of the registered capital ceiling as 2022-2026 and increase the issued capital of the Company from 49,657,000.- TRY to 99,314,000. TRY by converting the amounts in the "Retained Earnings" account into share capital. The capital increase realised as of 16 May, 2022.
- Independent board members Ahmet F. Ashabođlu and Nevzat Aydın has been appointed as members of the Audit Committee, chairman of the board Ragıp Ersin Akarlılar, independent board member Yonca Derviřođlu and investor relations director Duygu Inceoz has been appointed as members of Corporate Governance Committee, chairman of the board Ragıp Ersin Akarlılar, independent board member Ahmet F. Ashabođlu and CFO Bige İřcan Aksaray has been appointed as members of the Early Identification of Risks Committee.
- Independent Member of the Board of Directors Yonca Derviřođlu resigned from her duty as the Board of Director Membership as of 30/05/2022. The Board of Directors, as per the recommendations of the Corporate Governance Committee and pursuant to Article 363 of the Turkish Commercial Code, appointed Zeynep Yalım Uzun to replace Yonca Derviřođlu's vacant Independent Board Membership until the end of her predecessor's term of office, to be submitted to the approval of the first general assembly. Zeynep Yalım Uzun's CV was disclosed in the Public Disclosure Platform and the company website to the information of stakeholders.
- The Board of Directors appointed Independent Board of Directors Member Ms. Zeynep Yalım Uzun, to the position of Chairman of the Corporate Governance Committee.
- In accordance with the authorization given by article 7 of the Company's Articles of Association and within the framework of capital market legislation, on 12.09.2022 our Board of Directors have decided to issue debt instruments up to TRY 5,000,000,000 (Five Billion Turkish Liras) nominal value, with a maximum maturity of 5 years, in various terms, without public offering, via single or multiple sales to domestic qualified investors and/or private placement methods, and that General Directorate has been authorized to

determine the conditions including the date, amount, maturity, interest rate and sale method regarding the debt instruments to be issued, and that the CEO and CFO will be jointly authorized to represent the Company in order to carry out the necessary applications and all other transactions before, including but not limited to, the Capital Markets Board, Borsa İstanbul A.Ş. In this context, an application has been made to the Capital Markets Board.

6 – Summary Financial Tables (Inc. IFRS 16)

Summary Balance Sheet

TRYm	31 January 2022	31 July 2022	Change (%)
Assets			
Current Assets			
Cash and Cash Equivalents	1,482	1,910	29%
Financial Investments	27	36	33%
Trade Receivables	394	597	51%
Inventories	751	1,276	70%
Other Current Assets	202	479	137%
Total Current Assets	2,856	4,298	50%
Property and Equipment	259	316	22%
Right of Use Assets	451	495	10%
Intangible Assets	474	624	32%
Other Non-Current Assets	56	162	191%
Total Non-Current Assets	1,239	1,598	29%
Total Assets	4,095	5,896	44%
Short-Term Financial Liabilities	891	949	7%
Short-Term Contractual Lease Liabilities	229	279	22%
Trade Payables	1,189	1,556	31%
Other Current Liabilities	262	588	125%
Total Current Liabilities	2,570	3,373	31%
Long-Term Financial Liabilities	-	168	n.m.
Long-Term Contractual Lease Liabilities	277	276	(0%)
Other non-current Liabilities	55	70	27%
Total Non-Current Liabilities	332	514	55%
Total Liabilities	2,902	3,887	34%
Total Equity	1,193	2,009	68%
Total Equity & Liabilities	4,095	5,896	44%

Summary P&L

TRYm	H1 2021	H1 2022	Change (%)
Revenue	1,837	4,124	125%
Cost of Sales	(895)	(1,815)	103%
Gross Profit	942	2,309	145%
Gross Margin	51.3%	56.0%	
Administrative Expenses	(111)	(248)	123%
Selling and Marketing Expenses	(581)	(1,156)	99%
R&D Expenses	(21)	(32)	48%
Other Income / (Expenses), net	12	40	238%
Operating Profit	240	913	280%
Profit/(Loss) from Investment Activities	(0)	9	n.m.
Operating Profit before Financial Income	240	921	284%
Operating Margin	13.1%	22.3%	
Financial Expenses, Net	(59)	(134)	125%
Profit Before Tax	180	788	337%
Income Tax Expense	(42)	(83)	98%
Profit	138	704	410%
Profit Margin	7.5%	17.1%	
EBITDA	404	1,109	174%
EBITDA Margin	22.0%	26.9%	

Summary Cash Flow Statement

TRYm	H1 2021	H1 2022
Profit ¹	138.2	704.4
Adjustments	308.4	648.8
Cash Flow from Operating Activities	446.7	1,353.2
Δ in Net Working Capital ²	36.6	(495.8)
Income Tax Paid	(3.9)	(164.7)
Net Cash from Operating Activities	479.3	692.6
Capex	(61.0)	(117.9)
Other Investing Cash Flow ³	38.0	93.0
Net Cash Flow Used in Investing Activities	(23.0)	(24.9)
Debt Issued / (Repaid)	(220.9)	114.1
Payment of Contractual Lease Liabilities	(109.6)	(188.9)
Other Financial Payments ⁴	(64.6)	(105.2)
Interest Paid	(50.5)	(63.2)
Net Cash Flows Used in Financing Activities	(445.5)	(243.2)
Net Cash Flow	10.8	424.5
Cash and Cash Equivalents at the Beginning of the Period ⁵	889.9	1,478.6
Cash and Cash Equivalents at the End of the Period ⁵	900.7	1,903.1

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

Disclaimer on Market Data and Forward Looking Statements

This Report is prepared in accordance with the legal requirements only to provide information and it is not intended to form the basis of any investment decision. The industry, market and competitive position data contained in this report come from official or third party sources. Although the company believes the information provided by third party industry publications and market research studies to be from reliable sources, it has not, however, independently verified the information contained therein. This report includes forward-looking statements. Forward looking statements involve risks, uncertainties and other important factors over which the company may have limited or no control. These factors could cause the actual results, performance or achievements to differ materially from any future circumstances, results, performance or achievements expressed or implied by such statements. The forward-looking statements included in this report represent the Company's views as of the date of this report. All information contained in this Report was believed to be accurate at the time of publication. The company accepts no responsibility for any spelling or printing errors that may occur during the Report's preparation