MAVİ
ANNUAL REPORT
2017

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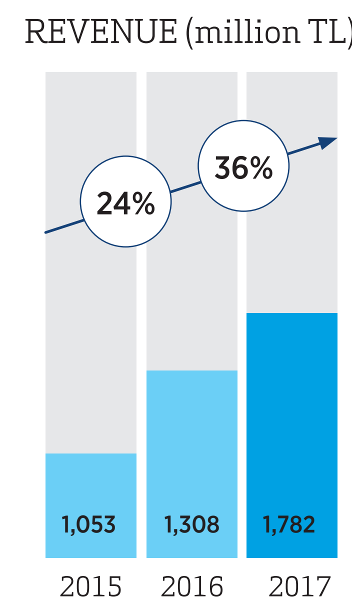
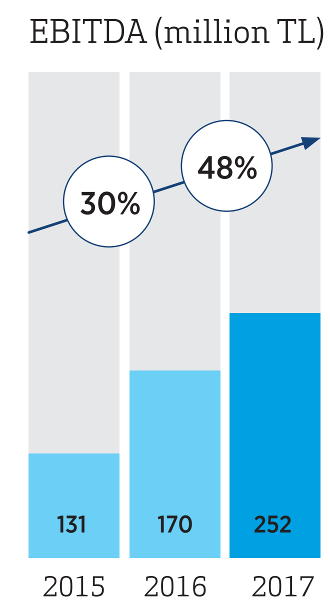
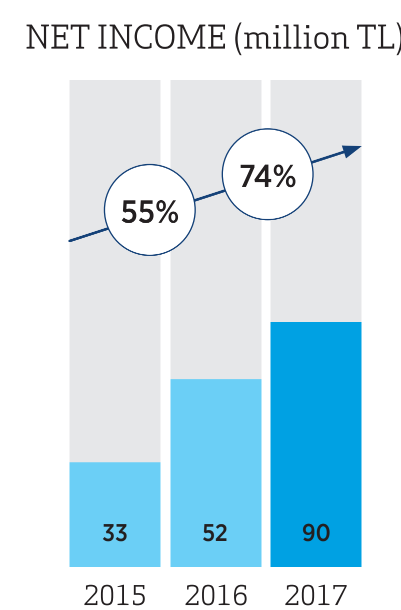
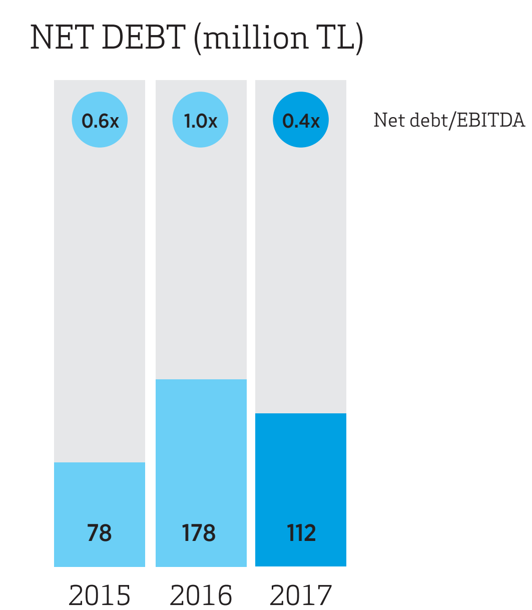
KEY FINANCIAL METRICS 2017

Financial Performance









Consolidated Global Figures

Turkey

Retail Stores: **287**

Average store size: **484 m²**

Franchise Stores: **73**

Wholesale Doors: **~500**

Europe

Retail Stores: **9**

Wholesale Doors: **~1,400**

US

Wholesale Doors: **~1,400**

Canada

Retail Stores: **3**

Wholesale Doors: **~1,800**

Russia

Retail Stores: **14**

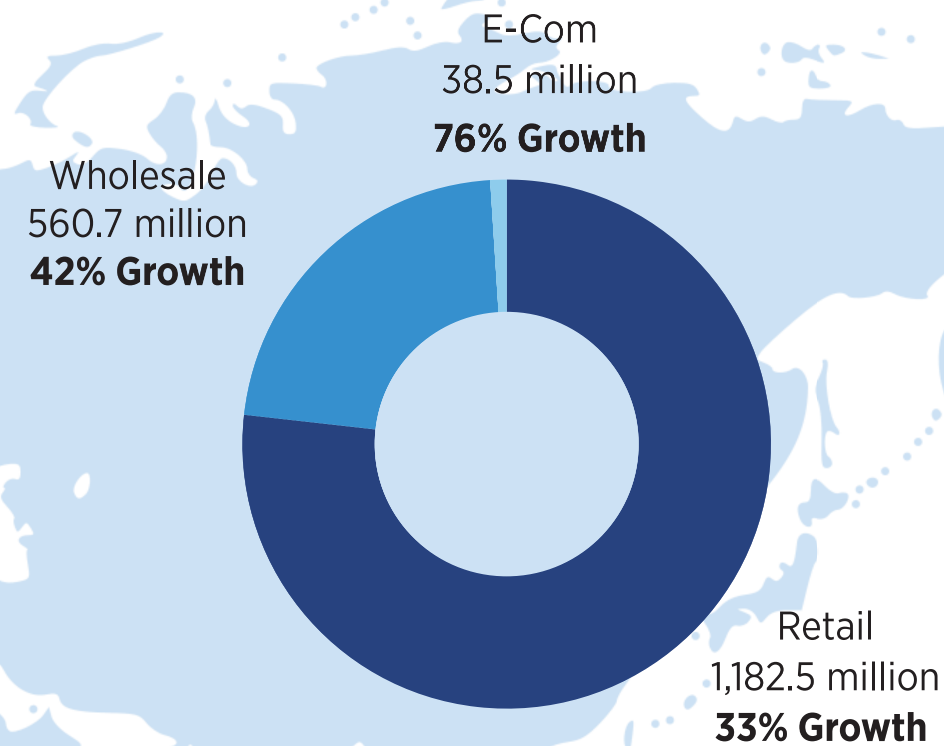
Franchise Stores: **18**

Wholesale Doors: **~125**

Rest of the World

Franchise Stores: **21**

Wholesale Doors: **35**



2017 Consolidated Channel Shares
2017 Consolidated Channel Growth

360	65	c.5,500
Mono-Brand Stores	Mono-Brand Stores	Points of Sale
Turkey	**International**	**Global**

Consolidated Global Highlights

1,782 million TL revenue. **82%** Turkey, **18%** International revenue

35 countries, **425** monobrand stores, **c.5,500** points of sale

32 net new store openings (26 TR+6 International) **33%** retail revenue growth

76% e-com revenue growth

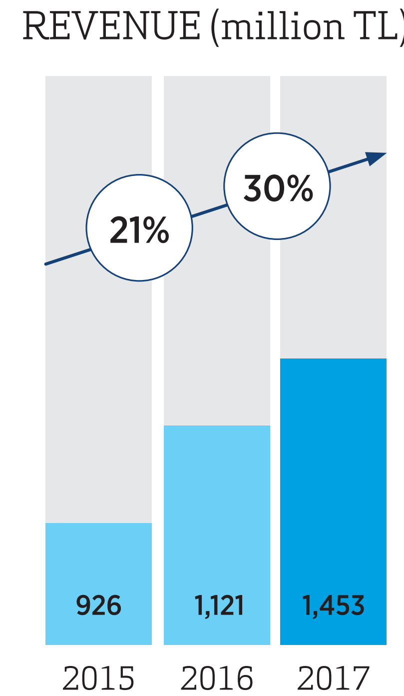
42% wholesale revenue growth

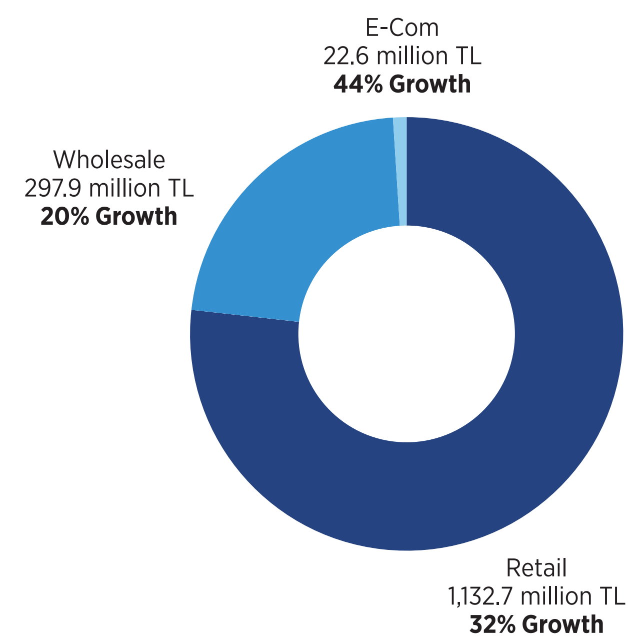
3,605 employees

c.80% local sourcing, **130+** global suppliers

8.9 million denim sold globally

Mavi Turkey Performance





2017 TR Channel Shares
2017 TR Channel Growth

287 retail, **73** franchise stores, **c. 500** wholesale doors

26 net store openings

139K sqm total selling space, average **484** sqm per store

22.8% Like for like (LFL) growth

37% women, **63%** men
46% denim , **54%** lifestyle

6.5m loyalty cardholders, **4.7m** active for the last 2 years, **1.2m** new customers acquired in Turkey

#1 Brand Awareness with **58%**[1]
Top of Mind, **21.4%**[2] Market share

1 GFK Turkey Research, 2017
2 Euromonitor International, 2017

LETTER FROM THE CHAIRMAN

2

Ersin Akarlılar

Mavi was founded in 1991. Since the very beginning our aim was for Mavi Jeans to assert its denim expertise on the global fashion stage, while always delivering innovation and profitable growth with our commitment to our customers. In growing Mavi with our teams, our strategy was to offer high quality service and to become a denim-focused lifestyle brand that inspires young people, while creating engaging shopping experiences in every channel. Mavi Jeans became the leading brand in the Turkish market within only five years. In the years that followed we also opened to international markets and started selling in North America, Europe and Australia.

In the mid-2000s we made the decision to change our brand from the denim-focused Mavi Jeans to simply Mavi, a lifestyle retail brand. Competing with premium quality products and brands in the most developed markets worldwide helped us become a multidimensional organization and build international competitive strength. Through doing this we gained confidence in our unique capabilities. We continued to grow by combining our denim expertise, the dynamism of Turkey with its young population and growing economy, and the excellent textile ecosystem in the country. That leads us to 2017, when Mavi strengthened its leading position in Turkey and sustained its growth trend.

Everything Mavi has achieved so far is the outcome of the innovations we have introduced and the difference we have made in our customers' lives. We conceived and developed the Perfect Fit strategy, which helps us use data to understand and interpret customer expectations and changing market trends, and we manage the business with an experienced and skilled team. I am proud of our achievements over the years, and in 2017 we made one of our most significant steps forward to date with our successful IPO in Istanbul. Please be assured that today, our motivation is greater than ever to create value for our investors and shareholders.

Before we look forward, let me briefly review 2017 for the business. The synergies created by working as one team across all our channels of retail, wholesale and online, alongside the quality of our supply chain, helped us improve our operational efficiency further. The 2017 results show increases across all sales channels.

Consolidated revenues grew 36 percent and reached TL 1.78 billion while EBITDA increased 48 percent up to TL 252 million and net

profit rose 74 percent, reaching TL 90 million. These growth rates are not representative of the last year alone, but reflective of many years. Achieving the same balanced growth in both men's and women's, in both *denim and lifestyle* categories, is a further indication of Mavi's consistent growth. As always, our aim is to continue to grow by acquiring over a million new customers every year, with new and larger stores and on online platforms.

Looking at the direction the world is headed today it is obvious how digitalization is making a difference. E-commerce is a particular priority channel for expansion in our international markets. Digital culture, supported by technological innovation and strengthened through digital engagement, enables us to reach our young customers more rapidly. Its influence is being felt across all elements of our corporate structure as it allows us to stay closer to the market and expand globally. Our strategic partnerships with online shopping platforms worldwide help us to grow our customer base and drive product development and sales toward new targets. In 2017 our highest growth rate across all channels and markets was in e-commerce. Therefore, investing further in this area will continue as the priority in our growth-focused strategy.

When you come across Mavi, no matter where you are in the world, you see the same sparkle in the eyes of employees from diverse cultures. And we always want to see that same sparkle in the eyes of all our customers. The customer-focus principle that we refined in 2017 gave rise to the Happiest Mavi Customer program. Mavi stores and our online platform aim to offer excellent service and provide the ultimate shopping experience for each and every customer, and this was a factor in boosting sales performance by increasing the number of happy customers over the past year.

Mavi adopts a total quality approach and our team of professionals are passionately committed to social and corporate values. With the new board of directors, consisting of esteemed members experienced in their respective fields, the elements that bring momentum to sustainable profitable growth are now stronger than ever.

What could be more powerful than a brand that continues adding value to its employees, customers, business partners and investors, year after year? Mavi's culture of succeeding and evolving together is growing stronger by the day. I would like to thank the entire team at Mavi and their leader Cüneyt Yavuz for playing a key role in taking us to where we are today. I am confident because I know that together we will take the brand onward to the next level.

All the data and evidence we have tells us that 2018 will be an even more exciting and productive year for Mavi. As always, together with our teams we will continue to provide the highest quality and most diverse products and services for our customers, and aim to keep adding value for Turkey and the wider world.

LETTER FROM THE CEO

Cüneyt Yavuz

2017 was a pivotal year for Mavi. Our successful IPO in June has given us a powerful platform for sustainable and profitable growth, in Turkey and beyond. We are delighted to welcome our new shareholders, and assure all investors that our entire team continues to focus relentlessly on delivering the continued outperformance on which we at Mavi pride ourselves.

Our goal for 2017 was to maintain Mavi's profitable growth. We began the year by focusing all operational processes on this target. Through the hard work of all our team, our financial results demonstrate that we have achieved this goal, and we enter 2018 with confidence, on the back of last year's strong growth.

We focused on four priority strategies and by maintaining this focus we delivered successful results. Those strategies were

- Sustainable profitable growth
- Strong brand positioning with new customers and new products
- Leading digital transformation
- A brand which is growing hand-in-hand with a new generation of customers

In Turkey, the apparel and jeans market grew in line with our expectations, helped by rising consumer confidence. Our number of sales doors increased with the opening of new stores in shopping malls, with 26 new stores opened in Turkey and 6 in Russia. In addition, we continued to capitalize on exciting opportunities in our North American and German markets. Today, Mavi is a company that operates with 5,500 doors in 35 countries. Our total number of mono-brand stores is now 425 with total sales space of 139 thousand square metres.

Sustainable, profitable growth

All our markets and all our sales channels - retail, wholesale and e-commerce - delivered strong sales growth. Both the denim and lifestyle product categories delivered double digit sales growth. In total, revenues increased 36 percent, reaching TL 1.78 billion.

This sales performance positively impacted profitability as EBITDA increased 48 percent to TL 252 million and net profit reached TL 90 million, an increase of 74 per cent. As an indication of healthy cash flow, the net debt to EBITDA ratio was 0.4 (x).

It is a company focused on delivering sustainable profitable growth in all its markets. Turkey continues to represent 82 percent of total revenues, primarily in the retail and ecommerce channels, while in our international markets, primarily the US, Canada, Europe, Australia and Russia, the business comprises 66 percent retail, 32 percent wholesale and 2 percent e-commerce.

Our growth strategy in Turkey is based on investing in retail. Alongside opening new stores, we also increased sales by expanding existing stores' square footage. With the opening of net 26 new stores, the number of mono-brand stores in Turkey reached 360 in 2017. The new stores with larger sales floors than average had a positive impact on the shopping frequency of customers and conversion rates. Alongside space expansion, we focused relentlessly on improving the customer experience in our stores.

Another priority we set for 2017 was to effectively manage our growing and global e-commerce channel to obtain good returns on our investments. The fact that our consolidated e-commerce sales grew 76 percent year on year reflects that we delivered this. With the valuable contributions of our business partners, we provided our customers with fast, high quality service, gaining significant momentum in the market, particularly in the US and Turkey. As a company which is leading in the field of digital transformation, we integrated our e-commerce operations into our industry-leading online and offline CRM application, enabling us to deliver a holistic shopping experience for our customers.

We felt great pride when Mavi was voted as the leading company in the entire apparel industry for product and service quality according to the Customer's Voice survey conducted by Mediacat, IPSOS and KALDER. We were also runner up in the entire apparel industry in Turkey's Most Admired Companies survey by Capital.

Strong brand positioning - new customers and new products

Our Perfect Fit strategy, the driving force of the brand since the very beginning, enables us to offer our customers the right product, right price and high quality in a balanced mix every season. This year, the collections designed with this philosophy in mind brought double-digit growth in both the denim and lifestyle categories. Highlights included:

- We sold 8.9 million denim items worldwide in 2017.
- With 58% TOM (Top of mind) share, we are the number one brand in jeans.
- Denim products account for 46% of sales, lifestyle products 54%.
- We grew the denim group 32%, lifestyle group 32% and accessories 33%

In addition to jeans, shirts and t-shirts, we introduced new hero products to the customer, and with the Glam collection designed specifically for the young generation, we attracted new and different fashion-savvy female customers to Mavi.

By increasing transaction volume and ticket size, we achieved 22.8 percent LFL growth compared to 2016 in retail sales in Turkey. We saw the positive results of effective inventory, cash flow and pricing management in increasing efficiency and profitability, while we achieved efficient growth in both men's and women's wear segments.

Being positioned close to source enables us to manage the seasons through accurate collection planning, faster product cycles and effective inventory management. We have integrated our infrastructure systems to create a culture of innovation, one of the most important components of Mavi's brand strength, and the results have been pleasing. Partnerships that combined the skills of denim manufacturers with Mavi's denim expertise helped increase brand awareness both in Turkey and also in the global jeans market. Mavi's vision of becoming the leader of the industry with innovative designs and constant newness is now more visible than ever.

The internal audit mechanisms we established to focus on responsible sourcing also had a positive impact on making our procurement more sustainable. We currently source nearly 80 percent of our products from

local suppliers. This allows us to procure superior quality products in the fastest manner and also contributes positively to speed to market, growth, profitability and customer satisfaction. We were able to manage the cost increases resulting from higher exchange rates seen within the reporting period through our rich product mix, balanced pricing, brand strength and sourcing skills.

The best-in-class CRM program at the heart of Mavi's brand strategy has reached total 6.5 million members and 4.7 million active customers. This program is the most effective tool for us to perform data analytics with the aim of collecting customer-related data and increasing sales. In this context, we were delighted to be ranked first in the apparel industry in the 2017 Most Successful Loyalty Card programs survey by Digitalage.

Acquiring new customers is essential to the company's continued growth. The exciting fact that 65 percent of the 1.2 million new customers we acquired in 2017 are under 35 demonstrates that ours is a brand which reflects the dynamism of Turkey's young population. We believe that we will continue to grow with future generations by leveraging our unrivalled data analysis capabilities.

Becoming a top brand leading digital transformation

Becoming a leader in the digital age and transforming to adapt to the new world of retailing is an essential part of the Mavi vision. We have put digitalization at the centre of our corporate culture. We are one of the leading companies in using next generation digital technologies in all our systems, and our aim is to be a pioneer in this field. By fully embracing digital transformation, we are able to quickly seize opportunities both in Turkey and international markets.

Our 3.3 million social media followers and 1.2 million mobile app users gives us an incredibly powerful base of relationships from which to drive digital growth. We will continue to accelerate mobile technology investments in 2018 as we seek to be a leader in how brands use digital technology.

Being the best-managed brand - growing with a skilled team and a new generation

We believe that the biggest factor in the strong results achieved in 2017 was the Mavi team - 3,605 people who are passionately committed to their roles and focused on ensuring product quality, customer satisfaction and sustainable growth. The Mavi team consists of young and dynamic people who embrace customer, product and data management, and adopt efficient and fast-moving business practices which are then built into our corporate culture.

We have created a culture of empowering every department to lead and deliver change. Every aspect of our structure - which comprises Design and Product development, Marketing, Sales, Category, Procurement, Supply chain, Finance, IT, Ecommerce, Human resources and Export markets - has embraced what Mavi internally calls Go culture. The most important result of this unique Mavi way of working is that different departments focus on one common goal and quickly implement projects, contributing significantly to the development of the business.

Looking at the year ahead, our priority in 2018 will be to achieve continued growth with the same drive and determination as in 2017. We expect the momentum created by e-commerce platforms to be the biggest driver of efficient and profitable growth in international markets. We will continue to use our sustainable and consistent growth capabilities to acquire new customers, increase the number and size of our sales doors and diversify product categories.

In short, Mavi starts 2018 with a very strong structure and I am confident we can again outperform expectations. For over 20 years Mavi has maintained market leadership in its segment, strengthened its relationship with customers every season and built on its expertise to further grow its commercial revenues. I am excited about the opportunities for the year ahead and look forward to another year of sustainable profit growth.

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MAVI BRAND HIGHLIGHTS

Mavi, incorporated in Istanbul in 1991, today is recognized as a highly successful global lifestyle brand. With strong denim roots, Mavi has evolved into an international apparel and accessories brand. Synonymous with superior quality and the **perfect fit** positioning, Mavi sold **8.9m denim** items globally in 2017 via its c.5,500 POS and **425 mono-brand stores**.

Mavi runs an omni-channel model, selling its products through directly operated stores, wholesale (department stores, corner stores, online stores and franchisees) and its own online platform. The retail segment accounted 66% of sales in 2017, wholesale for 32% and own e-commerce for 2%. Mavi Turkey accounts for 82% total sales. Mavi's offer is strongly positioned for both **women and men**, with the **denim category accounting for 46% and the lifestyle apparel category for 54%** of its global sales.

Mavi's brand image translates into high quality and strong pricing power, and Mavi's products are positioned between the upper-end of the 'core' and the 'premium' section of the ready-to-wear market. Mavi has a unique brand position with fashion-savvy, young adult customers and the brand collaborates with top celebrities on its campaigns including Adriana Lima, Sara Sampaio, Barbara Palvin, Lucky Blue Smith, Elsa Hosk, Jordan Barrett, Romee Strijd globally and Kıvanç Tatlıtuğ, Serenay Sarıkaya and Kerem Bürsin in Turkey.

Customer data and product strategy are at the brand's core, with the extensive **best-in-class loyalty program (Kartuş) of 6.5m cardholders**. Kartuş loyalty card makes up the 85% of retail transactions in Turkey with approximately **4.7m members active** for the last 2 years. Mavi acquired **1.2m new customers** in 2017, consistent with its growth targets. With **3,605 employees** globally, Mavi is regarded as an employer of choice. The company began trading on Borsa Istanbul on June 15, 2017 following the IPO.

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MAVI STRATEGY AND BUSINESS OVERVIEW

Aspirational **denim centric lifestyle brand** with broad customer appeal and celebrity endorsements

World-class products and well-segmented-ranges with a focus on quality, proximity to sourcing and efficient supply chain

Global multi-channel execution with **Turkey retail**, international footprint and **online** as key growth drivers

Customer-centric communication strategy and best-in-class **loyalty card management** enhancing brand awareness across channels and regions

Experienced management team & well-structured organization

Consistent **strong financial performance**

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ASPIRATIONAL LIFESTYLE BRAND

- Mavi has built its success on products of superior quality and the Company's **Perfect Fit** strategy, allowing the brand to understand and track the customer needs while offering **high quality for great value. Mavi, Turkey's best-loved lifestyle brand is globally recognized for high quality, premium-priced apparel for women and men**, and particularly for world-class quality denim products.
- Mavi has strong pricing power and has successfully introduced new lines at the top end to drive growth and margins. **Innovation and a focus on high-quality drive preference** for Mavi and mean that customers are willing to pay a premium for Mavi's premium denim labels. With strong denim roots, Mavi **sold 8.9m denim items globally and c.2m denim items internationally** in 2017.
- Mavi is present in **35 countries, 425 mono-brand shops, c.5,500 points of sale globally**, reaching **360 mono-brand stores in Turkey**. Sustainable growth is supported by the opening of **26 net new stores in Turkey**, all with larger sales floor space, and expanding that of existing mono-brand shops.
- The brand has **significant market share** and **powerful brand recognition in Turkey** with a **leading 21.4 % denim market** share and the **4th largest brand in women's and men's apparel** in the apparel market. Mavi **has #1 Brand Awareness with Top of Mind 58%** Mavi is the preferred jeans brand across both women and men.
- **Kartuş loyalty program with c.6.5m cardholders with 4.7m active members for the last 2 years** is recognized as best-in-class brand communication tool. Mavi **acquired 1.2m new customers in Turkey** in 2017
- **Global brand awareness with celebrities and fashion icons as loyal followers.** The brand collaborates with top celebrities on its global and local campaigns.
- Mavi has a strong communication network through its **digital presence with 3.3m global followers.**

AWARDS & RECOGNITION, TURKEY 2017

Mavi has *#1 brand awareness*, leading with 58% top of mind. (GFK) 21.4% market share in denim. (Euromonitor)

Mavi ranks fourth amongst the apparel brands in Turkey in both women and men. (Euromonitor)

According to the Consumer's Voice Survey, Mavi, with its product and service quality, is the leader of the apparel industry among the brands that create highest customer loyalty. (Mediacat & IPSOS & Kalder)

Leader in the jeans category in *"Turkey's Cool Brands"* survey, (Marketing Türkiye)

Top of the industry with ranking second in "*Turkey's Most Admired Brands*" Survey (Capital)

Best looking, most trusted, highest quality jeans brand with the most options. (Marketing Türkiye)

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WORLD-CLASS PRODUCTS AND WELL-SEGMENTED RANGES

Mavi has built its success on products of superior quality and the **Perfect Fit** strategy, allowing the brand to understand and track the customer needs while offering high quality for great value. Mavi's products are positioned between the upper-end of the 'core' and the 'premium' section of the casual wear market. Mavi's brand image translates into strong pricing power, which Mavi reinforces through **collaborations with leading designers** such as **Adriano Goldschmied**.

In 2017, both denim and lifestyle categories delivered **profitable growth**, and made strong progress in **driving efficiency through effective inventory management** and open-to-buy sourcing.

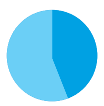
- Well-segmented ranges tailored to both **women and men** and **broad product offering** across denim bottoms and lifestyle products
- *Perfect Fit* product strategy, **customised to the taste of local markets**
- **Uncompromised quality**, using the **best fabrics with innovation** and manufacturing techniques
- **Flexible supply chain** that's able to react in real-time to customer trends with a well-balanced core and fashion product portfolio.
- Perfectly positioned at the center of the "Turkish ecosystem", the top-quality global textile market. **Mavi relies on c. 80% supply from Turkey, the top-quality** global textile supplier

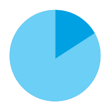
Product Portfolio and Category Shares

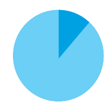
37% Women / **63%** Men (share)

46% Denim / **54%** Lifestyle (share)

Product Category Shares in Sales

46%

Denim

21%

Knits

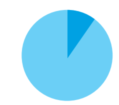
13%

Shirts

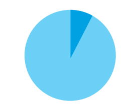
WOMEN

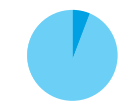

MEN



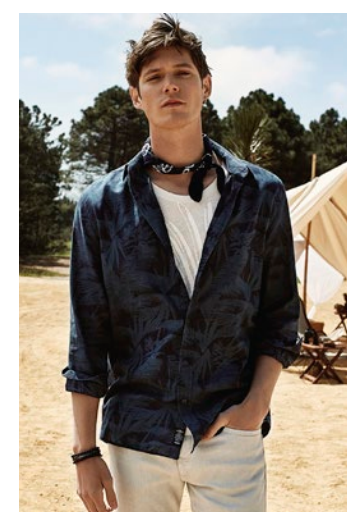
Product Category Shares in Sales

9%

Jackets

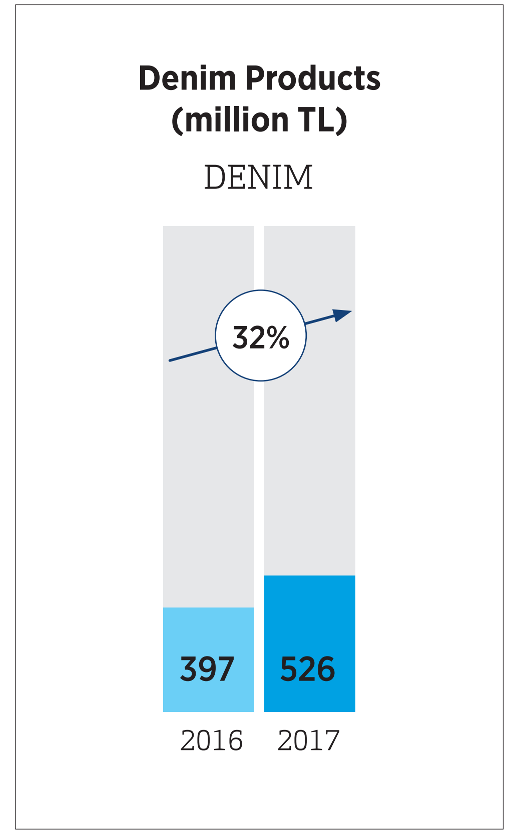
7%

Accessories
includes shoes

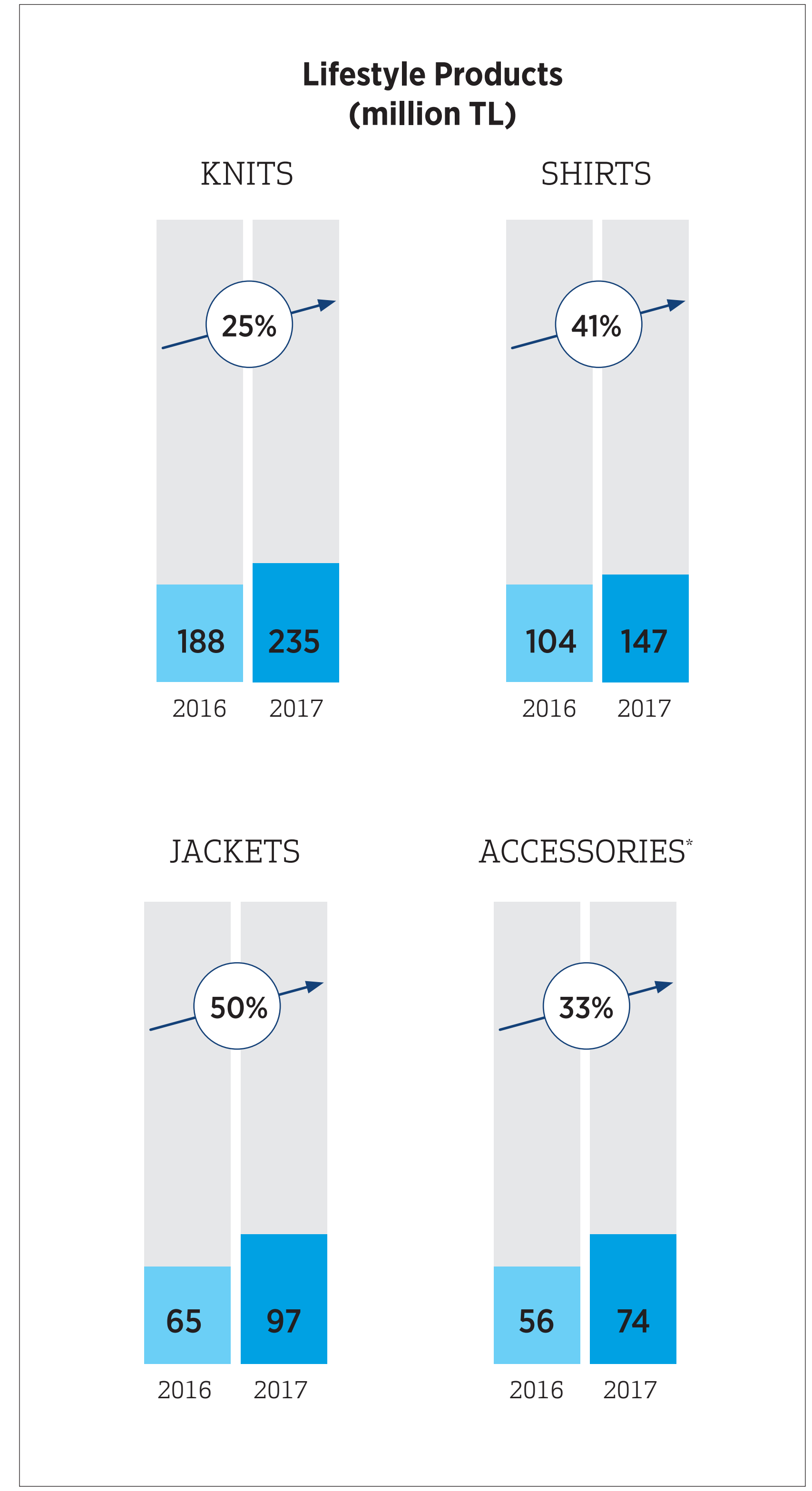
4%

Other




Growing significantly in each category





GROWING STRONGLY IN DENIM AND LIFESTYLE CATEGORIES

Turkey retail only.
*Including shoes.

Turkey's Most Iconic Denim Brand

Denim: Perfect Fit

The Perfect Fit philosophy is based on jeans fits developed individually according to **different age groups, tastes and body types of women and men**. This approach, **focuses on the customer**, enables Mavi to be recognised as an **iconic brand in Turkey and international markets**.

The CRM applications used in **analyzing matrices of jeans fits and customer demographics** reveal customer data and insights, serving as a key tool in differentiating the brand. The **denim expertise** at the core of the brand allows Mavi to offer a broad range of jeans to the market with over **50 fits and 200 denim style options**.

Wide range of price points, core sub—premium positioning globally

With strong brand positioning and denim expertise, the brand has successfully introduced new lines at the top-end to drive growth and margins.

Denim innovation with a unique soft touch is a key brand differentiator. Strong quality perception and constant **innovation drive** preference for Mavi and mean that customers **are willing to choose** Mavi's **premium quality** denim segments: **Mavi Gold, Mavi Amerika and Mavi Black**.

Managing Design to Product with Four Categories

International design team at Mavi strives to create the best product offering to align with different customer lifestyles, trends and quality expectations. The in-house design team includes designers with **global expertise across a broad range of product categories, from denim to accessories**.

Design and development teams **analyze customer expectations and follow the latest fashion trends** to develop exclusive and high-quality denim products. The team introduces new product lines and segments seasonally to **drive new customer traffic and frequency**. The team leverages the **advantage of being located in Turkey offering the world's most advanced denim** production.

Category and product planning departments consist four separate dedicated teams accountable for each category with a numbers-driven organization focusing on immediate execution. **Product planning** according to **SKU capacity, cluster and customer contributes significantly to the operations**.




Best-in-Class Sourcing Model

Mavi Relies on c. 80% Supply from Turkey, the Top Quality Global Textile Supplier

Efficient supply chain and **proximity to sourcing allow for a flexible management of product cycle** and enable quicker response time to customer demands. c. 80% of Mavi products are manufactured in Turkey and the sourcing planning model is based on **improving the average time to shelf, increase conversion rate and reduce the inventory risk** with an open to buy management. Mavi's focus on delivering the best quality relates to excelling in materials, **production, technical qualities and the conditions for the appropriate social and environmental conditions** through its manufacturing processes. The Company monitors and supervises its teams and partners at each stage of sourcing and the supply chain, ensuring the Mavi quality standards are in place from product development to the final stage of product lifecycle.

Mavi designs **four main seasons yearly, with a development cycle of monthly deliveries**. The frequency of drops enables Mavi to maximize efficiency through faster inventory turn and **product availability to fit to its customer demands**.

- **c. 80% sourcing in Turkey** and established large sourcing base with relationships **with over 130 suppliers globally**. The team's focus is on improving speed, on-time delivery with a RFT (right-first-time) approach.
- **Strategic and well-established relationships with top-quality** denim and non-denim **suppliers** in Turkey
- Partnerships with suppliers enable Mavi to co-develop **exclusive denim fabric and signature materials**
- Mavi has **in-house control mechanisms** to monitor and improve its' quality standards.
- Mavi supervises each team and partner at every stage of sourcing and the supply chain in order that high standards **across social and environmental conditions** are upheld.

7

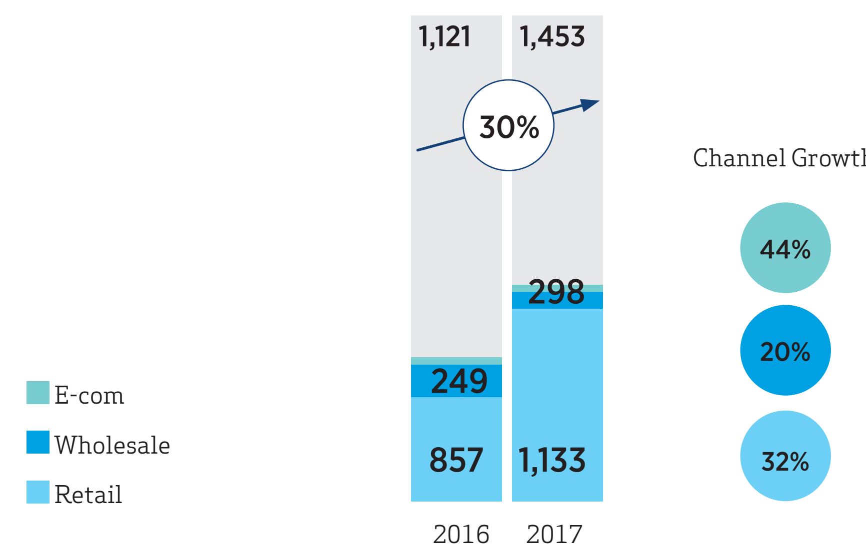
MULTI-CHANNEL EXECUTION WITH RETAIL, INTERNATIONAL AND ONLINE AS KEY GROWTH DRIVERS

Sustainable Growth in Turkey

Mavi, with a country-wide retail network consisting of 360 mono-brand stores, including 287 company-operated stores, in prime mall and street locations with high traffic, continued to deliver accelerated revenue and profit growth across both its denim and lifestyle categories in 2017. This growth has been driven by effective customer management both online and offline as well as by new customer acquisition, and has been strong across all Mavi's channels.

In addition to the opening of net **26 new stores** in 2017 in Turkey, the increased e-commerce capacity driven by digitalization investments has grown online sales 44%. **Increased transaction and ticket size also played an important role in growing like-for-like store sales 22.8% in 2017**.

TURKEY REVENUE (million TL)



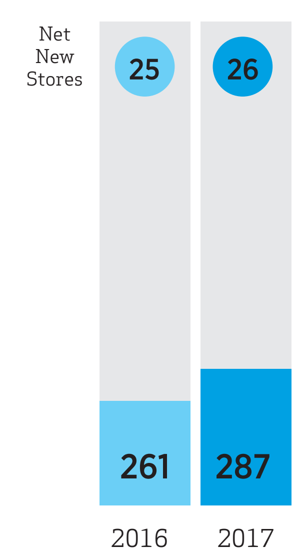
Expanding Retail and New Stores

In 2017:

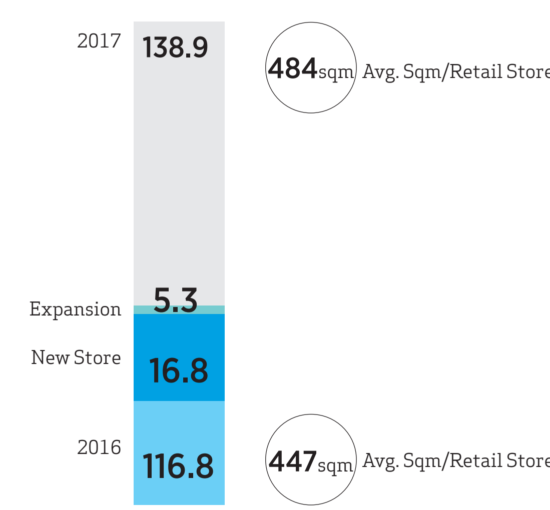
- **Net retail space in total 287 company-operated stores** reached **approximately 139,000 m2 with average store size of 484 m2**.
- **Net 26 new stores**, with larger sales floor space opened through sustainable growth strategy across the retail network.
- **19 existing stores were expanded** as Mavi continues its retail investments with the goal of opening larger store formats each year.
- Mavi is present in several high-end shopping malls including Kanyon, Istinye Park, Akmerkez, Akasya and Zorlu Center as its expansion is supported by increased transaction and ticket size. Mavi has recorded **accelerated traffic, shopping frequency and new customer acquisition** year on year.

287 retail stores	**26 net** new stores	**139K** sqms total sales floor area

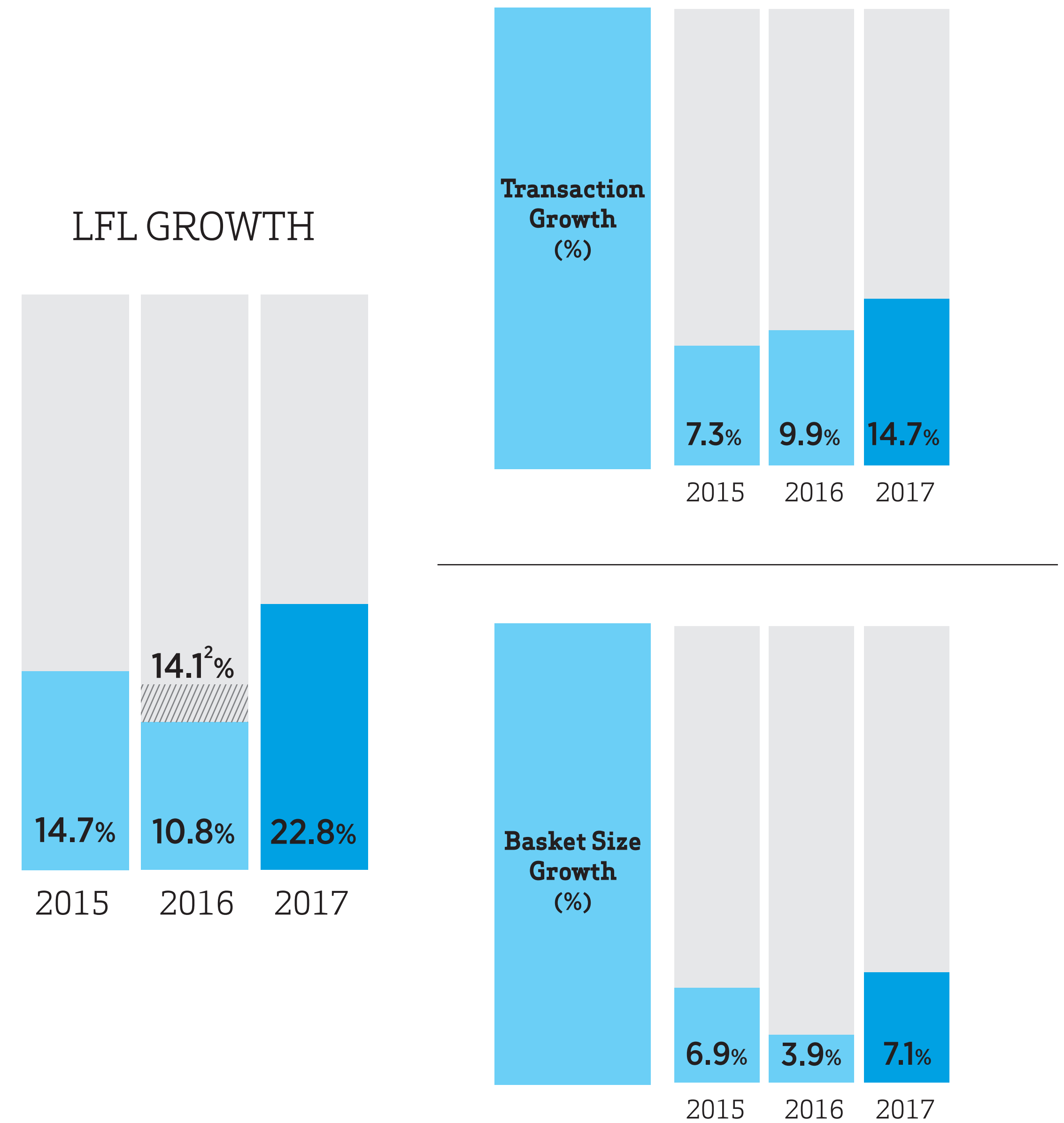
RETAIL STORES



GROSS SELLING SPACE IN TURKEY (K Sqm)



High LFL[1] growth with increased transaction and basket size



Turkey retail sales only.

[1]Growth in same stores compared to the previous period.

[2]2016 adjusted LFL sales (excluding July performance of all Turkey retail stores, impacted by the extraordinary events and the performance of the Beyoğlu stores). The unadjusted LFL for 2016 was 10.8%.

Complementary Wholesale Growth and Growing Multi-Channel Execution

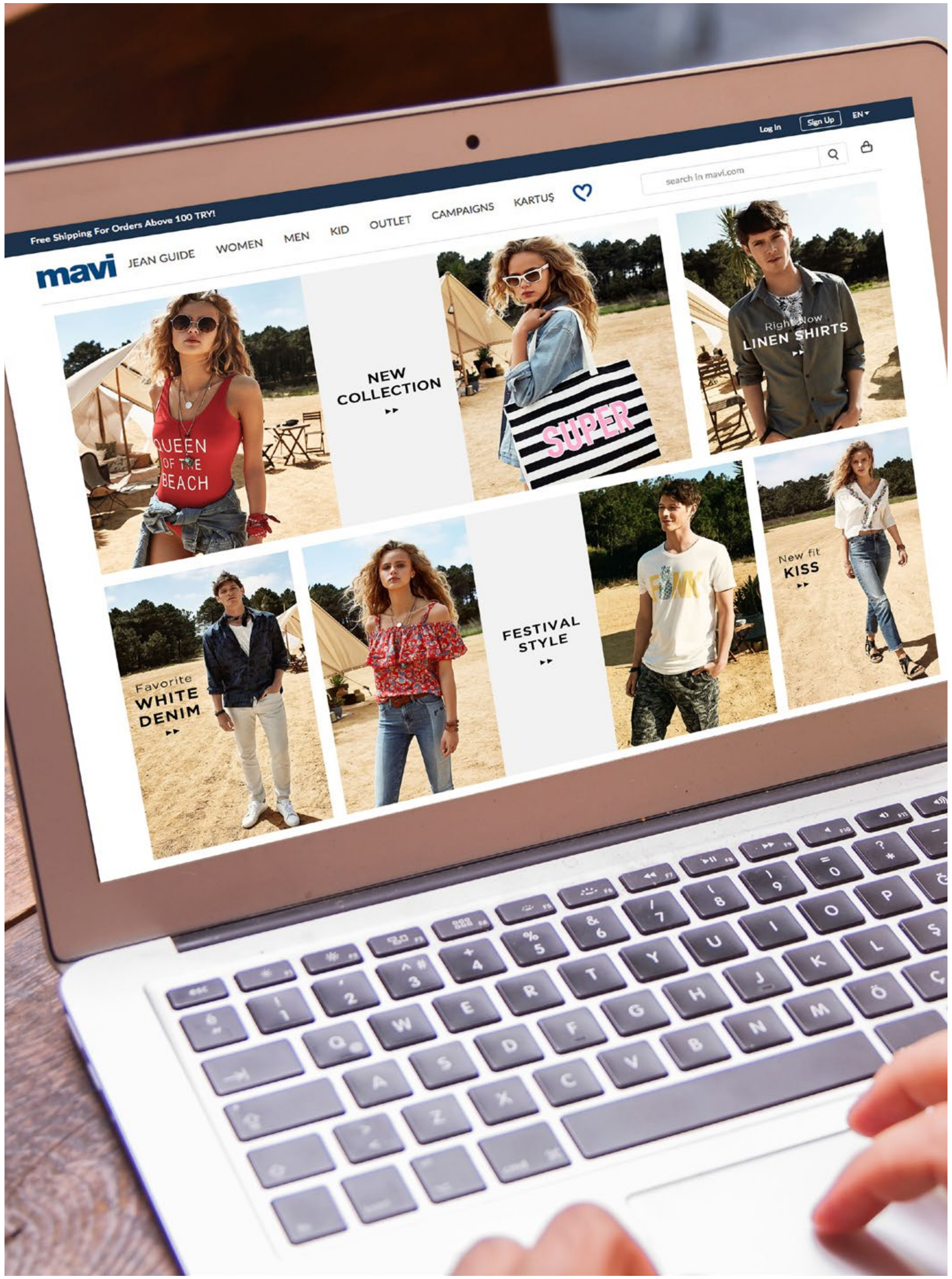
Mavi's wholesale business in Turkey is carried out at **approximately 550 doors across franchises, department stores and corners**. Accounting for **20% of Turkish revenue** in 2017, these doors continue to grow profitably and include **73 franchise stores** under long-term contracts with similar product assortment like in retail stores and **177 department stores** that sell Mavi products.

550 points of sale	**73** franchise stores	**177** department stores

Customer and Visual Experience

Changing consumer needs generate new projects that aimed at **enhancing** online and offline **shopping experiences**. Working in stores, the Maviolog teams with their denim expertise instantly respond to customer requests. Through the Maviolog trainings launched in 2012, approximately **200 employees** have been promoted to **Maviolog** level.

Mavi's unique **Indigo kitchen visual concept** involves displaying different fits and lifestyle collection themes. This concept that allows for **increased selling space to drive growth and conversion** while adding new product segments was created by Italian designer Paola Navone, known for modernizing Mediterranean style, to create an indigo theme that reflects the brand's core identity around accessibility, warmth and openness.



Well-Invested Online Platform to Deliver Future Growth

Mavi's revenues in **online channels, with strong growth potential in global markets and in Turkey increased 76%**. Mavi continues to invest in online platform with its own operated **mavi.com e-commerce site in Turkey, the US, Canada and Germany** as well as through strong business partners.

Mavi.com Turkey, launched in 2013, **increased its revenues 44%, accounting for 1.6% of sales in Turkey**. Priority of the in-house e-commerce operations is to provide fast, quality and innovative customer experience with web development, online marketing and category management departments.

Mavi.com, positioned as **Mavi's largest store** in terms of product variety, has been influential in enhancing the fashion perception and increasing frequency with a broad range of styles and visual impact. Mavi.com attracts a customer segment that is younger and has a higher female customer ratio than its offline channels.

Mavi aims at offering a seamless and integrated customer experience across offline and online channels. **Integration with the offline CRM program from the very beginning** has enable Mavi.com to distinguish itself from its competitors in terms of the benefits to the customers and wealth of data created.

- Sales from Mavi-owned online channels currently account for **1.6%** of Mavi Turkey sales with **44%** growth.
- Mavi.com appeals to younger consumers than Mavi's offline channels, with **64%** of customers under 35 and **57%** women.
- High level of social media engagement, large and contactable membership base through Kartuş mobile app.

2017 Online Developments

With the implementation of **payment on delivery** option in June 2017, orders increased 11%, bringing 75% new customers.

- Mavi.com's **digital wallet with Masterpass** was launched. Customers can now save their credit card details within the Masterpass system and shop with one click, which is expected to have positive effect on conversion rates.
- With the use of AI technologies, the scope of **personalized offers** was expanded.
- **In 2018 the main focus will be investing on mobile technologies** and omni-channel processes.

International Growth and Profitability

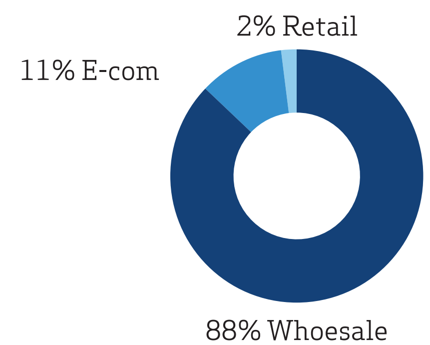
Approximately 2 million of the total 8.9 million pieces of denim sales in 2017 fiscal year have been sold in the United States, Canada, European countries, Russia and other international markets. The international distribution network includes **65 mono-brand stores** and **mavi.com** as well as wholesale and e-commerce business partners such as Bloomingdale's, Nordstrom, Lord & Taylor, Peek & Cloppenburg, Zappos, Amazon, Simons, David Jones and Zalando. These include **39 franchise stores and nearly 5,000 multi-brand stores**. Mavi is positioned in the upper middle segment in the international jeans market and also offers premium segment products such as the Mavi Gold series.

Mavi's international operations are focused on the **United States, Canada, Germany-based European countries and Russia**. Other than the four main international markets, Mavi operates in the neighbor regions and has **21 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.

c. 5,000 doors in **34** countries.	**65 monobrand** (**26** own-operated, **39** franchise)	Online channels share in global **2%**	**c. 2 million denim pieces** sold in international markets.

USA Operation

Mavi's operations in international markets started with the USA in 1996. Mavi has built a strong reputation in the international arena with its unique brand proposition, strong team and premium quality denim products. Mavi also has launched 34 Heritage, a high-end gentlemen's jeans brand distributed through specialty stores driving higher gross margins in North America. Sales of the Mavi brand in the USA is supported by strong brand positioning and a dedicated team focued on sustainable growth. The e-commerce operations launched in 2014 by Mavi USA have contributed positively to the 2017 results, demonstrating a priority area for growth opportunities.



Channel Share

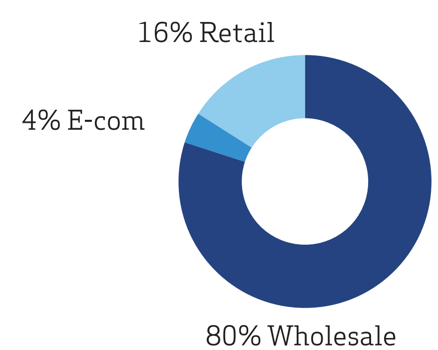
c. 1,400 wholesale multi-brand doors	Wholesale: **Nordstrom, Bloomingdale's, Von Maur, Lord&Taylor, Patrick James**	Online wholesale partners: **Stitchfix, Amazon, Zappos, Nordstrom** USA **mavi.com**

Canada Operation

The Canadian operation, launched in 1997, has been supported by a dedicated team and demonstrated strong brand recognition and sales performance. Mavi's growth strategy in the Canadian market is focused on online growth, profitable wholesale penetration and retail expansion through retail stores The three retail stores owned and operated by the brand account for 16% of total sales in the Canadian market as of 2017, contributing positively to the profitability of the operations.

The Canadian operation is predominantly wholesale, driven by specialty stores while online channel stands out as a priority area with important growth potential.

Mavi's exclusive offering for men, 34 Heritage is a high-end gentlemen's jeans brand distributed through specialty stores in USA and Canada, driving higher gross margins.

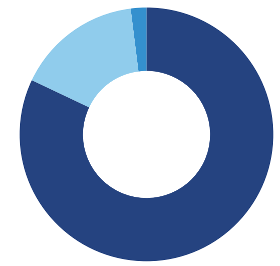


Channel Share

c. 1,800 wholesale multi-brand doors	Wholesale: **Nordstrom, Below the Belt, Bootlegger, Mark's, Color**	Mono-brand retail stores: **3** Canada **mavi.com**

European Operation

Mavi's European operations, started in 1996. It is a multi-channel operation and Germany serves as a hub with its dedicated team. In the European region, 82% of 2017 revenues came from wholesale channels and 16% from retail channels. Mavi has nine Mono-brand stores in Germany and both Germany mavi.com and online sales channels are considered priority growth areas.

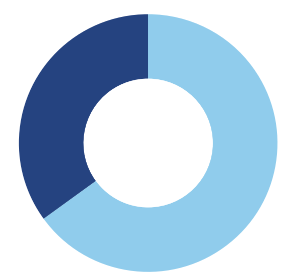


Channel Share

c. 1,400 wholesale multi-brand doors	Wholesale: **Peek&Cloppenburg, Karstadt, Galeria, Breuninger, Wohrl** Online wholesale partners: **Amazon, Zalando, Outfittery**	Mono-brand retail stores: **9** Germany **mavi.com**

Russia Operation

Mavi's operations in the Russian market launched in 2011 and the first mono-brand store opened in 2013 in Moscow. Turkey's retail operational excellence and know-how is applied in Russia at both product and customer management levels. Mavi's network in the Russian market consists of 14 mono-brand stores and 18 franchises stores in Moscow and St. Petersburg. Going forward, the Company will continue to focus primarily on retail to grow the business in this market, establish the online platform and sustain the profitable wholesale channel mainly consisting of franchises, select specialty chains and corners.



Channel Share

c. 125 wholesale multi-brand doors	Franchise retail stores: **18**	Mono-brand retail stores: **14**

8

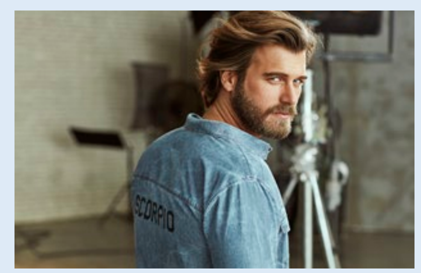
CUSTOMER CENTRIC COMMUNICATION STRATEGY

Turkey's Most Loved Brand and **#1 in brand awareness with unaided top of mind** 58% **in jeans category**. Mavi has a unique brand position with fashion-savvy, **25-34 young adult** customers resonating with both women and men. The brand collaborates with top celebrities on its global and local campaigns including Kıvanç Tatlıtuğ, Serenay Sarıkaya, Kerem Bürsin, Adriana Lima, Sara Sampaio, Barbara Palvin, Lucky Blue Smith, Elsa Hosk, Jordan Barrett and Romee Strijd has a strong digital presence with **3.3m global followers**.

Customer data and product strategy are at the brand's core, with the extensive best-in-class loyalty program (Kartuş) of **6.5m cardholders**. The Kartuş loyalty card makes up the vast amount of retail transactions in Turkey with approximately **4.7m members active for the last 2 years**.

The brand creates outstanding product and brand engagement through effective and loyal relationships with the young customer. In Turkey, 55% of current customers are under the age of 35. **Mavi has acquired 1.2m new customers** in 2017, with **65% under the age of 35**.

Brand Positioning

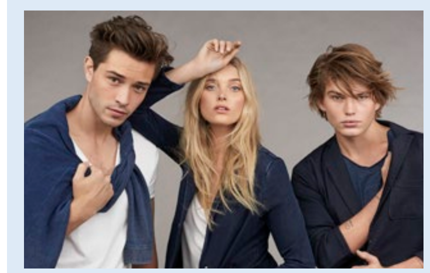


Turkey's Loved Brand and Market Leader

- Unique brand positioning resonating with both women and men
- Effective seasonal campaigns with celebrities
- Drives traffic through retention and new customer acquisition

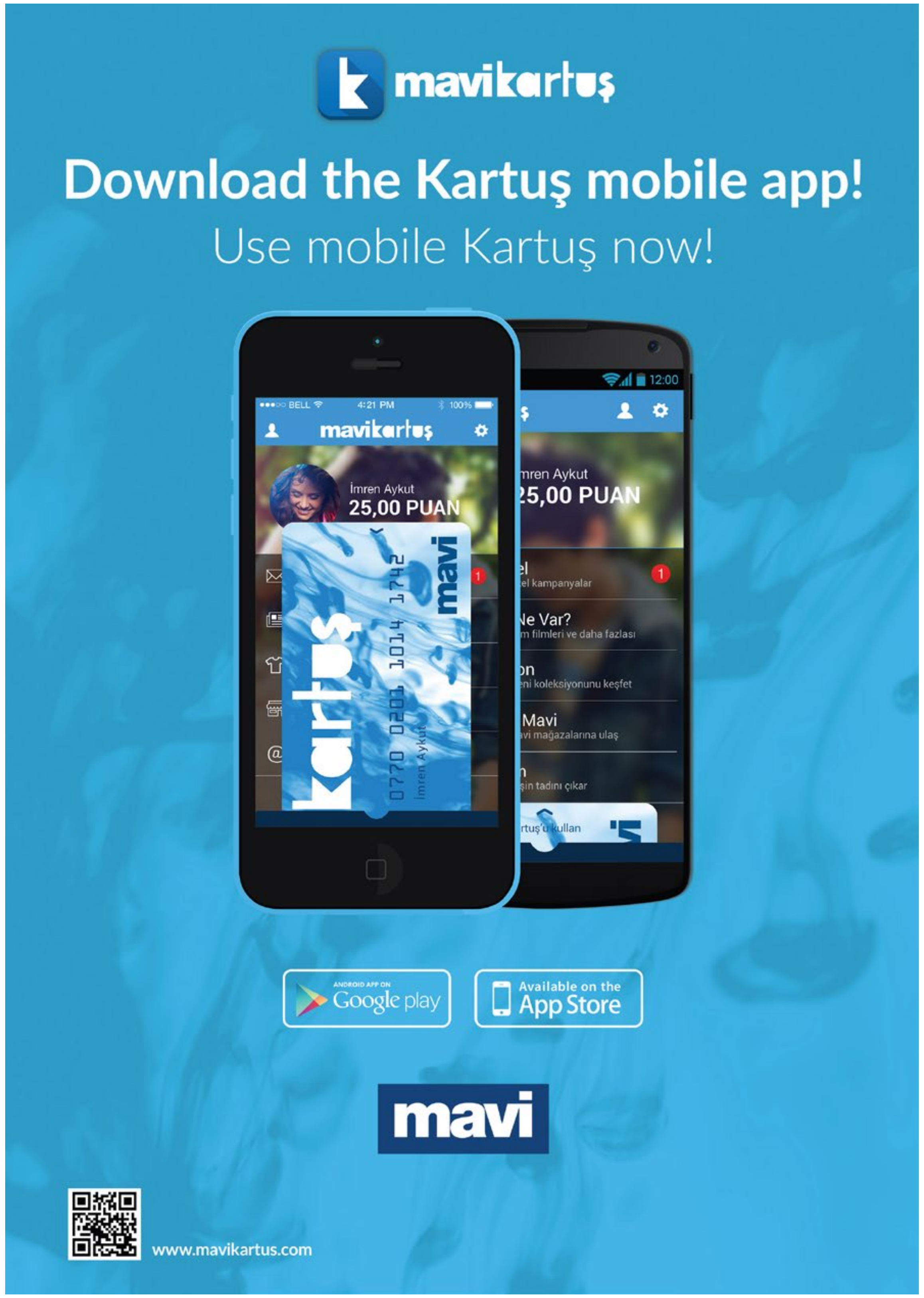
Customer Insight & Digital Lifestyle

- Customer data at the core of the brand and product strategy
- Understand and engage with the younger generation
- Exceptional social and online engagement



Global Appeal & Consistent Brand Expression

- Perfect Fit strategy offering on-trend, superior quality products for young adults.
- Seasonal campaigns with fashion's high-profile faces. Endorsed by global celebrities.
- Creative collaborations differentiate the brand through product innovation



Best-in-Class Loyalty Program: Kartuş

Customer data is at the core of the brand strategy via Mavi's extensive, best-in-class loyalty program (Kartuş). The loyalty card is an exceptional tool to provide the marketing team data and deep understanding about Mavi customers. There are 6.5M loyalty cardholders and they **deliver 85% of the retail revenue**.

4.7m cardholders have been active over the last 2 years. Insights from CRM data guide immediate actions and long-term brand and product strategy. Using the CRM data, Mavi generates **personalized campaigns and drive retention and larger basket size**. The Kartuş **mobile app**, which was launched in 2015, reached a total **download of 1.2m**.

6.5m

Loyalty Card Members

85% of the retail revenue.

4.7m

Active members (last 2 years)

1.2m

New Kartuş Loyalty Card Members in 2017

1.2m

Total Downloads of Kartuş Mobile App

Rapid Growth with Young Generation

55%

of customers under 35

65%

of new customers under 35

Communication Strategy & Advertising

Mavi's communication strategy focuses on **enhancing brand awareness** across channels and geographies. Mavi is an aspirational lifestyle and **customer-centric brand with a broad appeal** and celebrity endorsements. The communication strategy and brand positioning provide a platform for strong pricing, segmentation and product differentiation to **drive higher sales**. The seasonal campaigns with top-level celebrities position Mavi as an aspirational **lifestyle brand among the youth**. Effective marketing execution is a key driver in growth, better margins, increased traffic and new customer acquisition. Mavi launches seasonal campaigns and uses both above the line and below the line advertising channels including TV, digital, PR, outdoor and retail and online. In 2017, Mavi launched three advertising campaigns in Turkey. There were two **image campaigns** with **Kıvanç Tatlıtuğ**, the leading actor of Turkey. Mavi also launched the **Glam collection** with **Bensu Soral** in the Fall season. Each of the campaigns reached more than **40mTV views** and **10m digital views**.

Digital Presence

Mavi's ability to **engage with the younger customer is the main driver for new customer acquisition**. Mavi **understands the youth and changing demands** and communicates constantly through digital platforms.

In 2016, Mavi engaged with **3.3m fans** globally and has an in-house digital team managing the strategy for platforms including Instagram, Facebook, Twitter and You-Tube, while linking them to Mavi online as well. In Turkey, Mavi's social media buzz is 20% share of the total apparel market and the brand leads with **96% positive content**. The "I love Mavi" platform understands the changing youth demands in different markets. "I love Mavi" allows fashion bloggers and young people to share images of their Mavi outfits and styles. It is a great inspiration for the Mavi team and increases the brand's engagement through fashion and style.

- **3.3m global fans** through **digital platform**s
- **20% share of social media buzz** in the total apparel market
- **96%** of the **social media shares are positive**
- **204m** impressions
- Effective use of digital engagement & **global influencers**
- **Affective**, loyal relationship with the **young customer**.
- Understanding the changing demands of young people in different markets with the **'I love Mavi' website.**

> Mavi is a brand of superior quality which is the foremost attribute I look for when I, as an entrepreneur, invest because quality is always appreciated.
>
> Richard Branson (İstanbultalks, 2016)

Global Brand Communication

Mavi Enjoys Global Brand Awareness and Celebrity Sightings *Richard Branson, Katherine Heigl, Heidi Klum, Kate Hudson, Colin Farrell, Lady Gaga, Matthew McConaughey, Kendall Jenner, Liam Hemsworth, Anna Heinrich, Fergie, Jessica Alba* are among top level **celebrities wearing Mavi**.

Mavi works with top level fashion faces like *Elsa Hosk, Romee Strijd Sara Sampaio, Francisco Lachowski, Lucky Blue Smith* and *Jordan Barrett* to enhance its brand image. The brand has also developed several **creative collaborations differentiate the brand** through denim and product innovation.

AWARDS & RECOGNITION, TURKEY 2017

Mavi Kartuş, no. 1 in the apparel industry for the Most Successful Loyalty Cards Survey. (Digitalage)

Mavi ads with Kıvanç Tatlıtuğ deliver the highest TOM results in April. (Mediacat & Adwatch)

Mavi Black is the most admired and talked about campaign in October (Mediacat & Adwatch)

Ranking fourth among the brands that the Z generation admires most (Marketing Türkiye)

Top brand to use social media most effectively. (Marketing Türkiye)

Among the top retail brands that use digital best. (Digitalage)

Social Media Awards Turkey, Social Brands Data Analytics Awards, gold prize in apparel category. (BoomSonar & Marketing Türkiye)

9

STRONG MANAGEMENT & ORGANIZATION CULTURE

Mavi is a much-loved brand by its team, customers and a respected business partner. The brand creates a working environment that is compatible with its values. Mavi's company culture encourages development, provides career opportunities, and fosters a sense of belonging. Mavi as a brand is uncompromising of the principles and ethics at the heart of everything the brand stands for and does.

Mission & Vision

Mission

- To be a jeans-centered fashion brand that is close to our customers.
- To create an exceptional experience for our customers wherever our brand is represented.
- To maintain our passion for product quality and innovative design.
- To lead in product excellence, understanding of the digital world, and retail experience.
- To sustain a corporate culture that ensures employee trust, customer loyalty and commitment from our business associates.

Vision

To be the market leading jeans-centered fashion brand wherever Mavi is represented.

Brand Values

Quality:

To ensure quality is our brand's top priority.

To maintain consistently high quality in all the brand's products and services.

Innovativeness:

To maintain close ties with our customers, stay in line with market trends, and work closely with suppliers to meet our customers' needs promptly and fully.

Passion:

To be a customer-driven team that produces excellent products and ensures sustainable growth and market leadership.

Sincerity:

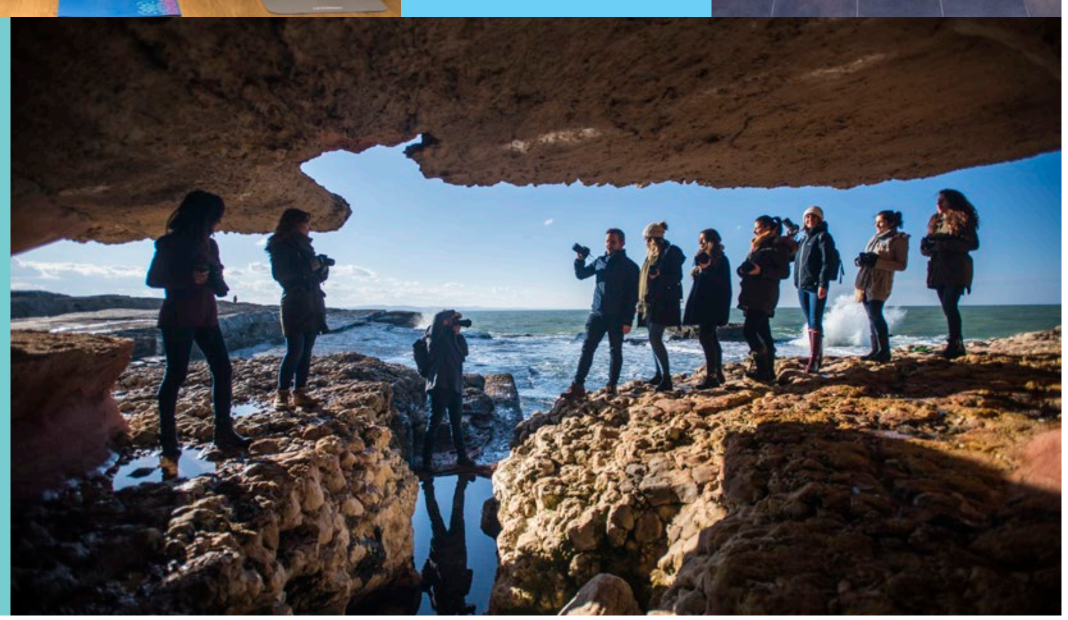
To keep our promises to our customers, business associates and employees.

To have a brand culture and managerial approach that values the opinions of all parties.

Respect:

To take responsibility for the high degree of trust our brand has earned.

To meet the needs of the various cultures, understandings and values in the world.



Employer of Choice

Global Mavi Employees
3,605

Mavi HQ Employees
731

Mavi Stores Employees
2,874

Total Mavi Employees
Women 1,795 / Men: 1,810

Average Age
27

Mavi ranks 4^{th}
among 50 great companies for women in Turkey

Go Culture

From its very beginning, Mavi has emphasized the importance of in-house training. Over the years, the company's approach has shifted from basic instruction to personalized, goal-oriented training programs, giving a new dimension to this subject within Mavi.

In 2015, Mavi launched an in-house workshop series comprising nine 'Go' groups. The meetings, which started with the participation of the directors, turned into multifunctional and solution-oriented project group gatherings involving managers, and then began to encompass all functions of the company. Held under the titles Gojeans, Gowomen's&accessories, Gomen's, Gocustomer, Gosales, Gooperations, Gointernational, Gosystem&E-commerce and Gotalent, the meetings hosted experts from various domains.

Mavi has initiated social clubs under the umbrella "Go Social." Go Social clubs strengthen intra-company communication, nurture a balance between our employees' professional and private lives, enable our employees to reserve more time for themselves, and support their hobbies. The clubs are coordinated by experienced advisors in the areas of photography, sports, travel, theater, cooking, sailing and literature.

Being a Mavi team member means:

Contributing to an organization with 3,500+ members, all of whom respect the other.

Being part of an environment where your personality and skills are appreciated, utilized effectively and are rewarded properly.

Sincerely embracing, sharing and pursuing the mission and responsibilities of a brand that leads in its industry.

Acquiring the awareness of working daily to offer good things to people around the world.

Doing our job with passion and attaching importance to the expectations of Mavi's global team and its customers.

Keeping up with change, constantly innovating, and sustaining professional dynamism.

Social Responsibility

The Company aims to drive positive change through our teams by being inclusive, respecting differences, and by our commitment to the responsible usage of resources. Mavi creates sustainable benefits for the community and empowers young people through youth-inspired social responsibility initiatives. The brand aims to create value through the social programs and involve the organization through the positive change.

Indigo Turtles

Mavi and Orta Anadolu continue to protect endangered sea turtles by supporting the Ecological Research Society's (EKAD) activities with the "İndigo Turtles" project. The objective of the project is to protect two species of sea turtles native to the Mediterranean, Caretta Caretta and Chelonia Mydas, which have lived on earth for 110 million years. Over the last 19 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.

Hundreds of volunteers from Turkish and international universities and colleges, as well as Mavi employees, customers and followers, take part in the activities. Volunteers set up camps to help protect the turtle eggs from external stimuli and ensure that the hatchlings make it to the sea.

The proceeds from "Indigo Turtles" t-shirts sold in Turkey as well as in the US and Germany go to EKAD, as Mavi joins forces with environmentally sensitive young people to revive the Mediterranean.

Mavi Scholarship for Girls

"Mavi Scholarship Fund", established as a part of the brand's 25th anniversary celebrations, has granted scholarships to 27 female students for the duration of their university education through Türk Eğitim Vakfı (Turkish Educational Foundation – TEV). Aiming to support more young people every year, the project is expanding with contributions from Mavi employees. The Company also adds new scholarships each year and has been growing the program with new scholarships.

Turkey's Brands Dress Turkey's Children

Mavi has been providing clothing support for thousands of children in need every year through the "Turkey's Brands Dress Turkey's Children" campaign, organized by the United Brands Association of Turkey since 2012.

10

SUSTAINABILITY

1. Responsible and Transparent Management

Mavi has built a responsible and profitable business model that respects people and the environment and is based on transparent management principles. Foremost among these principles is maximizing customer happiness and creating the 'Happiest Mavi Customers.' The Company nurtures customer happiness by focusing on customer demands and needs in its decision-making, allowing no compromise on quality, and emphasizing the attainment of world-class products and services.

Mavi embraces a corporate culture devoted to the customer and it is passionate about product quality. This corporate culture elicits the trust of the Company's employees, and the Company has bonded with customers and acquired lasting business partners. It is a culture based on transparency, fairness, responsibility, accountability and sustainability.

Mavi became a publicly held enterprise on 15 June 2017, when its shares opened for trading on Borsa Istanbul, the national stock exchange. The Company has rapidly adopted all mandatory corporate governance principles, as detailed in the Capital Market Board's (CMB) Corporate Management Communiqué, and it is striving to maximize its compliance with non-mandatory ones.

In every market where it has established itself as a world-class lifestyle brand, Mavi furthers its vision of leadership. It does this through continuous dialog with its stakeholders – which include its customers, employees, shareholders, suppliers, and investors – and with external entities, such as analysts, NGOs and associations, the media, universities, finance institutions and public bodies, and through developing together. Mavi prioritizes contributing to the development of the country, sector and community in which it operates. It is a member of the United Brands Association of Turkey (BMD), The Ethics and Reputation Society (TEID), The Turkish Investor Relations Society (TUYID), and the Corporate Governance Association of Turkey (TKYD).

1.1 Code of Conduct and Integrity

The Mavi brand elicits confidence from the consumer, is a reputable business partner for suppliers, and it offers a prestigious career to its employees and nurtures a strong loyalty and connection with them. These benefits are rooted in principles 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 honesty, 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 corporation. Therefore, Mavi expects each employee to respect all living creatures and the environment, to have a sense of social responsibility, and to internalize all aspects of the corporate code of conduct. Employees secure Mavi image by putting the brand's interests beyond their own and avoiding behavior detrimental to its image and reputation.

Mavi's Code of Conduct is detailed in a booklet, entitled *Code of Conduct*, and it is posted on the Company's corporate website and intranet for all stakeholders. Whenever Mavi employees encounter unethical behavior in the workplace, they may pass their complaints on anonymously through the Ethics Line. Customers and suppliers may telephone or email reports of unethical or irregular transactions to the Ethics Board.

The Ethics Board is responsible for investigating and resolving complaints and reports of code of conduct infractions. The Ethics Board consists of three main and two reserve members who report directly to the CEO. The chairperson and members of the Ethics Board act independently of their departmental managers and the corporate hierarchy, i.e. without external influence. No one may exert pressure on the Ethics Board and its decisions must be implemented promptly. In 2017, 20 reports came through the Ethics Line and the Ethics Board investigated each one.

Complying with laws, procedures and regulations

Mavi uncompromisingly adheres to laws and regulations. Mavi's own corporate rules and procedures comply with the relevant laws and in some cases are more stringent.

Upholding the brand

Mavi requires all its employees to be cognizant of their responsibilities to the Company and the brand. Mavi employees instill in customers and in their colleagues the highest confidence in the professional competency and honesty of Mavi employees.

Being respectful and reputable

Mavi bases its operations on mutual respect. Mavi's mission is to operate as a flexible-thinking institution, open to diverse opinions and ideas. As such, it expects its employees to respect the Company, its customers, other employees, its business partners, competitors, society and the environment.

Maintaining the interests of the brand

Mavi expects its employees to avoid conflicts of interest. When personal interests conflict with brand interests, every employee must act in favor of the brand; personal interests cannot come before those of the brand.

Confidentiality

Mavi goes to great lengths to protect the privacy and confidentiality of customer information and that of the people and organizations it does business with. Mavi staff use such information only in service of Mavi.

Mavi has undergone a data confidentiality harmonization process and it has ensured its activities comply with the Personal Data Protection Law. The Company has fulfilled the declarations requirements of the Data Protection Law by informing its customers through online channels of its confidentiality policy, which it amended in conformity with the law. Moreover, the Company held training sessions to inform its employees about the concept and principles of data protection. It has also conducted a cyber-leak test to identify security gaps in its www.mavi.com website that may leave its e-commerce site vulnerable to cyber attacks. This test revealed that www.mavi.com is adequately protected against threats to personal data held there.

Protecting Company assets

Information is one of Mavi's most valuable assets. Mavi protects its cognitive assets, including information reservoirs, confidential information and information systems and ensures their use is appropriate and effective. It requires its employees to protect and preserve these assets against loss, damage, abuse and destruction.

Discrimination

Mavi believes that it will achieve genuine richness by bringing cultures together. The employees are expected not to discriminate against others', ethnic background, language, religion, race or gender. Company employees will under no circumstance subject a person to physical, psychological or verbal harassment.

1.2 Anti-Corruption

Mavi has prepared an Anti-Bribery and Corruption Procedure, which lays out the Company's position on bribery and corruption, and will announce this procedure through the corporate website and intranet (Maviletişim), to all stakeholders. This procedure aims to comply with the anti-bribery and corruption laws and regulations in the countries where the Company operates, ethical and professional principles, as well as universal codes. The procedure pertains not only to Mavi directors and employees, and Mavi companies and employees abroad, but also to companies from which Mavi receives goods and services, and their employees. It also applies to Mavi franchisees with an annual turnover exceeding a certain amount, and to business partners, including advisors, lawyers and external auditors. Mavi details its anti-corruption principles in its Code of Conduct.

- Bribery and corruption are unacceptable at Mavi.
- In carrying out their duties, Mavi employees shall not receive commission or monetary gain under a different name. Nor shall they make any proposition to that effect.
- When doing business with persons or institutions, public or private, no offer of special favors shall be made to the parties involved. No agreement, written or verbal, shall be made to that effect.
- No concessionary gains shall be made available or proffered in relationships with third parties, whether people or institutions.
- Maximum attention shall be paid to avoid raising suspicion or giving the appearance of such intentions, even if the behavior in question is made with a different intention in mind.

2. Respect for Human Rights and Labor Practices

Mavi is open to diverse opinions and ideas and embraces flexible thinking. Therefore, its mission expects that Company employees respect themselves, Mavi customers, other Mavi employees, business partners, competitors, and the community and environment.

2.1 Talent Management

Mavi's most important asset is its human resources and motivation, by providing tangible and intangible satisfaction, this is crucial to ensuring the most effective use of human resources. Accordingly, the Company defined its Human Resources Principles, with the objective of making Mavi the best company possible.

The Company complements its HR policies and practices with its Mavi Talent Model, which incorporates organizational and behavioral characteristics that nurture the performance the Company needs for sustainable growth compatible with its business strategies.

Mavi's principles:

- To recruit young people and experienced professionals who can move Mavi forward
- To establish and maintain systems that enable Mavi employees to succeed and rise professionally
- To invest in developing employees and, by determining their training needs, to prepare and implement training programs
- To ensure Mavi employees conduct their duties in ways compatible with their knowledge and talents, and to enable improvements in work effectiveness and productivity
- To increase employee loyalty through providing career opportunities and rewards

Mavi Talent Model. Developed especially for Mavi in 2014. The Company shares this with new team members.

- To create and maintain a safe, healthy and peaceful working environment in accordance with Environmental and Occupational Health and Safety
- To the extent possible, fill vacant positions from existing human resources
- To recruit the most appropriate candidates considering not only the Company's current needs but also future ones, to offer equal opportunities to the candidates, and to maintain cultural diversity

Mavi's talent management goal is to recruit the talent it requires for sustainable corporate success. In addition, Mavi seeks to identify talent within the Company, to retain it and to train the leaders of the future.

As part of the Company's vision, the Mavi Talent Model identifies the personality and behavioral characteristics Mavi employees need to become Mavi leaders. These characteristics, which focus on human resources applications, form the backbone of the Company's human resources strategies. Employees can use the model to discover how they can succeed in the Company.

Mavi strives to recruit new talent. As part of this effort, it collaborates closely with universities. In 2017, Mavi participated in 30 events at 12 universities.

Mavi announces all vacancies on its intranet to its employees. 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 systematically evaluates its employees under its talent management. Human resource management uses these evaluations to plan its processes. The Performance Management System applies objective criteria in the annual performance evaluations and the results yield valuable information for career planning, ascertaining development needs, and establishing performance-based salaries. Annual performance evaluations provide all employees with feedback on their development and career plans.

Under career planning, in 2017, 52 Mavi headquarters employees and 185 Mavi store employees gained promotion to higher positions. 8 employees were re-positioned from stores to the headquarters.

Based on the results of the performance evaluations, Mavi established various development programs for its employees.

2.2 Employee Development and Benefits Provided

Mavi's leadership strength in its sector rests on its robust human resources, which keep pace with change and innovations and continually help Mavi to advance further. Accordingly, Mavi offers its personnel a variety of learning and development opportunities to improve their skills throughout their careers.

Corporate training has been vital from the start. Over the years, Mavi has customized this training, which ranges from basic training sessions to advanced programs tailored to individual employees and their goals.

Mavi determines its training and development programs' requirements through the needs identified via one-on-one interviews conducted with all department managers. Using the results of these interwievs, and paralleling the Mavi Talent Model, Mavi creates Individual Development Plans, containing occupational, technical and personal development training, for all Mavi employees. In addition, Mavi provides its employees with opportunities to attend conferences, seminars and summits on a range of subjects, in Turkey and abroad. Employees can also receive foreign language support.

Developing Staff at Mavi Headquarters

In 2017, 237 Mavi headquarters employees received collectively 3,818 hours of training, an average of two days per person.

New employees received orientation programs to familiarize them with Mavi's corporate culture, the Company's area of operations, and its organizational structure and practices, so that they could more easily adapt to their new responsibilities.

Mavi has prepared a Development Handbook for all levels of staff in the Mavi Talent Model. Supporting behavioral change, the handbook includes development activities that employees can apply at work and in their private lives.

- **GoMavi culture**

Mavi held a workshop series of nine Go groups, building on the Company's positive experience of the Adizes methodology in 2015. Launched for managers, the meetings evolved into multifunctional, solution-focused project groups under their direction with wider participation and encompassing all the Company's functions. The Company invited experts to these meetings, which took the names *GoJeans, GoWomen's & Accessories, GoMen's, GoCustomer, GoSales, GoOperations, GoInternational, GoSystem & E-commerce,* and *GoTalent*. Additionally, comprehensive monthly, seasonal and annual meetings with management keep employees abreast of Company activities. These include:

MassMavi Meetings: Open to all headquarters employees, these meetings are a platform for departments to share their monthly business plans.

Management Forum Meetings: These biannual meetings, open to all headquarters employees, present the Company's activities over the previous six months.

Marketing Direction Meetings: These are seasonal meetings that determine brand strategy and priorities through customer, market, product and competition analyses, and share results with management teams that provide direction to the company, chief and foremost being sales and category.

- **Leadership development model through the MaviKampüs program**

Mavi's strategic goals include equipping its managers to transform Mavi into an even greater company. The Company launched its MaviKampüs program in 2016 for this purpose. This work and person-based program enables Mavi managers to achieve personal and professional development. Expanded further in 2017, this is a long-term development program based on Mavi's leadership development model and strategic priorities. Thirty-three directors and managers participated in the 2017 MaviKampüs program, which consisted of 192 hours of training.

- **Mavi Mentorship Training**

The Company has launched its Mavi Mentorship Training program as a pilot project. This program aims to transfer Mavi's internal corporate culture, knowledge and experience to a new generation, to develop Mavi employees' leadership capacity and personal growth, and to deepen their loyalty to the Company.

- **Enlivening work life through GoSocial**

Mavi organizes a range of arts and sports activities to strengthen inclusiveness and team spirit among its employees, and to contribute to their social life. Many Mavi employees participate in the social clubs established under GoSocial in response to employee requests. These include theater, photography, sailing, dance, and painting and handicrafts clubs, all operating under the guidance of professional trainers. Club experiences have led members to develop special events. For example, the theater team staged a Poetry Play at the end of the year at the Profilo Cultural Center, and the photography club put on an exhibition of photographs taken during photography tours. In addition to club activities, Yoga classes are a regular feature at Mavi. Additionally, our employees represented Mavi at intercompany tournaments such as basketball, athletics, bowling and tennis, during the year.

Development of store employees

Creating the Happiest Mavi Customers is the Mavi field team's most important priority. Store employees are subject to an intensive training program to enable them to provide Mavi customers with world-class service.

- **Training Store Managers in 2017**

Mavi Retail Orientation Class Training: delivered to 128 starting or newly promoted store managers and assistant managers.

The Role of the Trainer, Delegation and Customer Satisfaction Soft Skills Training: delivered to 128 store managers and assistant store managers.

Product Information and KPI/Report Reading Job-Training: 2,400 person/hour training to store managers and assistant managers.

- **GoSeason**

Biannual meetings providing season collection and product information training to store managers. Category managers explain the forthcoming season's leading products to the managers and receive feedback from them.

- **Mavi strategy and target meetings**

Annual outdoor meetings held every year over three days for store managers and two days for assistant store managers. Mavi directors share the Company's strategy, furthering Mavi's goals and strengthening its culture.

- **Maviolog**

Maviolog staff raise product knowledge in their assigned store team. The goal of a Maviolog is, through the fashion and brand vision he or she develops, to ensure every customer leaves the store with the right product and combination, and to create for the customer a perfect shopping experience. The Company chooses its Maviologs very carefully, trains them to provide customers with product and style advice that is in line with Mavi's identity as a denim specialist and fashion brand. Regarded in the Company as potential managers, Maviologs attend an annual five-day training workshop, followed by an exam. Running since 2012, Maviologs numbered 200 at the end of 2017.

- **Sales Person/Cashier**

Basic Retailing Orientation: delivered to 500 new retail clerks.

Cashier Training: delivered to 409 new cashiers.

- **Secret Customer research and field development**

Secret Customer research is conducted six times a year to assess the performance of the field teams. The results of Secret Customer research, conducted at 349 locations (278 retail and 71 franchisee locations), are monitored by Mavi's sales, marketing, training and HR teams, who use the results to determine development opportunities and to plan store-level trainings.

Mavi renewed, developed and customized its Secret Customer methodology in April 2017. Henceforth, the Company has posted its Secret Customer reports promptly on the Mavi portal and mobile application. Under the new system, assessments include objective and subjective criteria involving customer responses to their shopping experience. Moreover, the new system records the *Net Promoter Score* (in short, the degree to which a customer would recommend the Mavi brand to people they know).

- **Employee Benefits**
  - The private health insurance Mavi provides starts from day one for directors and others in senior positions at Mavi headquarters. The insurance of lower level employees starts six months into their employment. Directors and those in senior positions at Mavi headquarters have the right to an annual check-up. Mavi employees may buy additional coverage for their family members through the Human Resources Department.
  - Women employees at Mavi headquarters can obtain Childcare Assistance for their children aged 2-6.
  - Mavi provides birth and marriage assistance to all personnel.
  - All employees receive a meal ticket. An open buffet breakfast and dining hall service is available to employees at Mavi headquarters.
  - All employees receive a card offering a 30% discount on season shopping at Mavi.
  - Where required by their work responsibilities, employees receive a credit card, an automobile, fuel, a cell phone and telephone line.
  - A doctor is available to employees at Mavi headquarters two days a week.
  - Mavi provides service buses for its headquarters staff and store employees receive travel allowances.
  - Mavi headquarters staff receive financial assistance to pay for social club memberships.

2.3 Equal Opportunity and Diversity

Mavi believes that we attain true wealth through diverse cultures living together. Therefore, Mavi promotes cultural diversity and equal opportunity.

Mavi is an equal opportunity employer. All employees are treated equally and afforded equal opportunities regardless of their ethnicity, language, race, or gender, in Mavi's human resources processes, such as hiring, training and development, performance and talent management, career management, and salary determination.

Mavi personnel includes people from 30 countries and 54 people with disabilities. 90% of Mavi employees are under the age of 35 and Mavi draws on them to realize the potential of Turkey's young and dynamic labor force.

At the close of 2017, women accounted for 50% of Mavi's employees and 40% of Mavi managers. They comprise 56% of directors at Mavi's Turkey headquarters and 30% of store managers. To encourage women's participation in the workforce and to make their working life easier, all Mavi women employees with children between the ages of 0-6 receive a childcare allowance to support nursery school. 49 Mavi employees took maternity leave in 2017 and the rate of return from maternity leave was 80%.

Mavi ranked 4th in Forbes magazine's survey, 50 Best Companies for Women (*Forbes,* June 2016).

2.4 Occupational Health and Safety

Mavi's fundamental priority is propagating a safe, healthy and tranquil work environment in terms of occupational health and safety. Therefore, Mavi exceeds normal legal obligations. Mavi takes a systematic and proactive approach to cultivate a culture of occupational health and safety.

Occupational health and safety specialists conduct risk analyses and emergency planning at Mavi headquarters and stores, and the Company acts on these findings to improve conditions.

Mavi's Occupational Health and Safety Board is charged with ensuring occupational health and safety is practiced. This board oversees the review of OHS and associated practices, recommends improvements and developments, and ensures regulatory compliance.

A workplace physician and health and safety specialist are on hand to serve employees. Those employed at Mavi headquarters, or as store managers, assistant store managers or auxiliary store managers acquire access to private health insurance after completing six months on the job.

The Company holds training sessions to raise and reinforce awareness of occupational health and safety. Five hundred and sixty people at Mavi headquarters and stores received OHS training in 2017 and training is renewed at regular intervals.

To enhance workplace ergonomics, the Company has improved lighting and indoor air quality. Mavi is also working on reducing noise, humidity and heat to optimal levels and on upgrading equipment.

3. Sustainable Value Chain

Mavi is developing ground-breaking applications to oversee the social, environmental and economic performance of stakeholders in Mavi's value chain. This work aims to create value by disseminating the Company's sustainability approach to all points on the value chain, from supplier to logistics, to where products and services meet the consumer, and to expand innovation and R&D.

3.1 Local Purchasing and Responsible Procurement

Mavi procures nearly 80% of its jeans collection locally and the largest share of production is done in Turkey. Proximity allows Mavi and its producers to collaborate closely and brings greater economic rewards to the country. The on-site inspections that proximity allows also enhance quality, speed and social cohesion. The resulting increase in procured volumes and exports support the national economy.

Quality control and occupational health and safety

Mavi's inspection of its manufacturers has two aims: first, to ensure quality and workplace health and safety, and second, to identify the extent to which the manufacturers meet human health and environmental standards. Mavi's standard manufacturer agreement requires that manufacturers sign the Restricted Chemicals Declaration and Ecological Commitment documents and that the products they make for the Company conform for the EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation No. EC 1907/2006, the intent of which is ensure adherence to EU standards and compliance with regulations in Turkey pertaining to the use of dangerous chemical materials. The Company generally prefers to work with suppliers that are members of the Business Social Compatibility Initiative (BSCI) program or those that possess the Supplier Ethical Data Exchange (Sedex) certificate. As of 31 January 2018, the 68-member supplier team has been working with Mavi's sales team to increase profitability, achieve product diversification, and to ensure that raw materials and final products are compatible with Mavi's standards.

Mavi guarantees production is conducted to international standards by signing detailed contracts with all its suppliers. It observes the social, economic and environmental performance of its suppliers, who are expected to take steps to improve their performance.

Mavi's Quality Assurance unit, established under its Global Procurement Directorship, started monitoring the social harmonization of suppliers in 2017. This monitoring focuses on determining the extent to which the following areas meet international standards and comply with restrictions and regulations: child labor; health, safety and the environment; working hours and payments; forced labor; the right to organize and engage in collective bargaining; and discrimination, discipline and management responsibility.

All suppliers have received documentation from Mavi pertaining to these subjects and they have undergone a preparatory process of communication and training. Since July 2017, 52 suppliers underwent inspection at 108 production points. Those found to be in violation were subject to corrective measures or dismissed.

Environment and Energy Systems:

Two of Mavi's most important manufacturing suppliers, which provide nearly 35% of the Company's total procurement and over 85% of its denim needs, engage in advanced energy efficiency and water consumption reduction practices.

These manufacturers use the mechanical, chemical and biological membrane purification systems at their plants. Following the introduction of the membrane system, chemical treatment fell by one-seventh. They have a daily water purification capacity of 3,000 m^3. Due to the renovated machine circuit, waste water dropped from a daily average of 2,400 m^3 to 1,000 m^3.

Energy savings accrued from reducing the available lighting in the sewing section and installing LED lights with independent motion sensors on all machines.

New machines in the washing section achieved savings of 60-70% in water, 40-50% in chemicals and 25% in electricity.

The plants are taking measures to minimize the environmental impact of their operations. Laser technology, which has produced chemical and water savings, a cogeneration system for electricity, a steam recovery system in washing facilities, new-generation humidity measuring devices, which reduce drying times and natural gas use, and drop technology, which minimizes the use of water and chemicals in the washing facilities, are all examples of the ways the plants are using technology to reduce environmental impacts. In addition, Erak is one of the few manufacturers authorized to manufacture organic jeans.

Within the framework of Corporate Social Responsibility, both manufacturers possess BSCI and Sedex certificates.

3.2 Responsible Product and Service

Mavi has a 16-member Quality Control team that serves under its Global Procurement Directorship. To ensure Mavi customers get perfect quality products, this team performs ongoing inspections before and during production.

Mavi sends products, beginning at the sampling stage, to third-party laboratories where they undergo testing for chemicals such as azo dyes, phylatate, cadmium, nickel, organostatic compounds, nonylphenols and ethoxylates (APEO), chrome VI, PAH, DMF, and lead. Also tested for at the raw materials stage are chemicals the manufacturers are responsible under EU regulations (REACH), such as formaldehyde, pH, allergenic disperse dyes, pesticides, heavy metals and PVC. Test results are evaluated according to internationally agreed limits, which are listed in the Manufacturer Handbook that Mavi gives to all its manufacturers.

At the sample stage, Mavi makes appropriate clothing refinements to fit, performance and functionality.

At the production stage, Mavi checks the final products see if they meet the Company's standards and, if they do, the products receive approval. Mavi performs quality control at every stage, not least for denim manufacturing, to ensure conformity with its stringent standards.

Mavi carefully evaluates customer feedback. The Company aims for the highest level of product quality, and it achieves this through the work of the product development and procurement teams and improvements made with manufacturers.

3.3 R&D and Innovation

Embracing the philosophy "The design carries a product to a brand," Mavi today operates with a multicultural design team while also collaborating with world-renowned designers and consultants. Adriano Goldschmied, the world's foremost denim designer, Rıfat Özbek, who designed his first ever denim collection for Mavi and Hussein Chalayan, whose Mavi designs stand as his first for a Turkish brand are among the major names working with Mavi.

Turkey maintains an unrivalled position worldwide in terms of R&D investments, innovation and technology development in denim cloth and blue jeans manufacturing, providing Mavi with significant advantages. The brand combines its denim expertise with the product development team to manufacture jeans using 100% local knowhow, optimally leveraging the country's high quality supply ecosystem. Every season, Mavi collaborates with world-renowned denim cloth manufacturers for product developments and innovations. Its ability to develop innovation-based premium products in the denim sector is a major reason that elevates Mavi to the top segment of the international jeans market. Being a world leader in technological development and innovation in denim has made Mavi a force to contend with in setting quality and price. The premium product groups such as Gold, Black, Indigo Move, Popstar, and Feather are the result of combining cutting-edge technologies with Mavi's passion for designing perfect products.

3.4 Customer Satisfaction and Communication

One of Mavi's most important priorities is creating the Happiest Mavi Customers. Given its emphasis on customer happiness, Mavi established a special project group, GoCustomer, to apply this concept in the field. Employees from the Marketing, HR, Sales and Training departments contribute to this group, which, throughout the year, create ways to provide customers with perfect shopping experiences in terms of product and service.

Mavi customers can provide feedback about products or services, their feelings and thoughts about Mavi, and make recommendations to the Company via telephone, email, social media channels and stores. Mavi's in-house Call Center team directs the flow of these communications and, taking the necessary actions, responds to customers. Complaints from customers, about products or other issues, are recorded and complied in reports that are shared in meetings with all pertinent departments.

Additionally, Mavi contracts a third-party firm to monitor all customers' social media posts and conversations about Mavi and communicates these to Mavi so it can respond as appropriate and gain valuable insights. Approximately 97% of the content shared and the conversations held on social media regarding Mavi are positive.

Mavi conducts regular surveys to collect information on its customers' perceptions and on consumer habits relevant to the Mavi brand, and Mavi's products and advertising campaigns. The Company's Secret Customer surveys of Mavi stores and franchisees inspects retail points and monitors and reports on their service quality.

Mavi topped the ready-to-wear clothing sector for creating customer loyalty through product and service quality in a survey of brands conducted by "Voice of the Customer." (Mediacat & IPSOS & Kalder, April 2017)

4. Environment, Energy and Biodiversity

Mavi holds as a general principle that all its operations should seek to protect nature and minimize environmental impact. However, Mavi does not operate in an energy-intensive sector, does not engage in manufacturing, conducts its retail sales in leased space, and its operations and products do not pose a risk to the environment, the wellbeing of society or biodiversity. In this context, Mavi's actions to reduce its operation's impact on the environment and biodiversity are of limited impact. Nevertheless, Mavi has taken measures towards this end.

Waste Management

At Mavi headquarters, paper, metal and plastic waste is sorted and recycled. In addition, medical waste and used batteries are sent for safe disposal or recycling.

Headquarters Design Building

Mavi has renovated its headquarters' design annex to serve as a showcase for what is possible to ensure the health and safety of employees, and the of the environment, and to guarantee energy efficiency.

- All materials used are fire-resistant or have a fire-resistant coating.
- The ground floor cladding is made of cork, a recyclable material.
- The walls and roof have are insulated with two layers of rock wool, a recyclable material.
- The window frames are insulated and the window glass is heat insulated.
- The air-conditioning system uses VRF technology, which enables each unit to be more energy-efficient, resulting in 30% less energy consumption.

Stores

Mavi prioritizes energy efficiency at its stores and it has conducted projects to secure improvements. In the 2017 fiscal year, Mavi had 287 monobrand stores.

- Mavi stores started using LED-based lighting, which consumes 30% less energy. The use of LED lighting also generates less heat than previous forms of lighting and so the energy the Company spends on cooling is also reduced. Seventy stores now use LED lighting and other Mavi stores are under conversion.
- Mavi has installed VRF air-conditioning systems in new stores and existing ones, which will bring energy consumption savings of roughly 30%.

Support for Environmentally Friendly Projects

Mavi refuses to work with solution partners whose actions are contrary to the wellbeing of the environment and the community.

The Company supports the Ecological Research Association's Indigo Turtles project to protect the nearly extinct sea turtles and whose activities contribute to biodiversity (see Indigo Turtles project, p. 66).

Mavi supported the Turkish Spinal Cord Injury Association by collecting 45 kg of bottle caps at the Company's headquarters. These caps were used to buy wheelchairs for those in need.

5. Organization

The Board of Directors is responsible for monitoring the Company's social and environmental performance. Mavi's environmental and social impacts can be classified into those generated by our suppliers and those that are the result of Mavi's own headquarters and retail stores. So, relations with and monitoring of suppliers is the responsibility of the Global Procurement Chain Director, while the environmental and social harmonization performance at Mavi headquarters and in stores are the responsibility of the Global Human Resources Director.

11

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMPLIANCE REPORT

This Corporate Governance Compliance Report of Mavi Giyim Sanayi ve Ticaret A.Ş. (henceforth "Mavi" or the "Company") was prepared in the format stipulated in the Capital Markets Board (henceforth "CMB") regulation No. 2/35, published in the CMB's *Weekly Bulletin* of 27 January 2014, No. 2017/2, and is presented below.

1. Declaration Of Compliance With Corporate Governance Principles

Mavi's corporate culture is defined by remaining close to its customers, being passionate for its product quality, and reliable towards its employees. At Mavi, business partners are regarded as permanent and the company seeks to establish a deep connection with its customers. Mavi conducts its operations in accordance with the principles of transparency, fairness, responsibility, accountability and sustainability.

The Company began trading on Borsa Istanbul on 15 June 2017 (ticker symbol "MAVI") and henceforth it has been subject to CMB regulations. As a matter of policy, Mavi fully complies with the mandatory principles stipulated under the Corporate Governance Communiqué Serial II No. 17.1. Mavi also aims to achieve full compliance with non-mandatory Corporate Governance principles and work is in progress on applying those principles Mavi has yet to implement. Once Mavi completes its implementation of the legal and technical infrastructure, the Company will be fully compliant with all Corporate Governance principles, mandatory or not.

The non-mandatory Corporate Governance principles Mavi has yet to implement are indicated below, including the reasons for non-implementation. Mavi has no conflict of interest arising from not having achieved full compliance with these principles.

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 accordance with general practice, minority shareholders hold rights accorded by the general provisions of law.

Article 4.2.5 The posts of Chairman of the Board of Directors and General Manager (CEO) are held by separate directors in Mavi and the Mavi's Internal Directive clearly delineates their respective scope and limitation of authority. The differentiation between these roles will be detailed in the Articles of Association during the next reporting period.

Article 4.3.9 Mavi's Board of Directors currently has one female member. Mavi is working towards increasing the number of female members on its Board of Directors.

Article 4.4.7 The members of our Board of Directors are trusted individuals due to their succsessful careers, and their competencies bring essential contributions within the principles of confidentiality. No restrictions were introduced regarding the duties of the board members outside the Company and likewise, in the General Assembly, the intra-group and non-group duties assumed by the candidate members and underlying rationales were not indicated specifically under the relevant agenda point. Such a restriction is not deemed necessary, particularly taking into account that the work experience and sector insights of independent members delivers an essential contribution to the Board of Directors.

Article 4.5.5 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.

Article 4.6.5 The General Assembly determines remuneration rates payable to members of Mavi's Board of Directors. In line with general practice, remunerations of Board members and senior executives are disclosed to the public in the Company's financial table footnotes.

2. Shareholders

2.1 Investor Relations Department

Shortly after its initial public offering, Mavi established an Investor Relations Department. Mavi's Investor Relations Department's function is to inform local and foreign investors in an accurate, consistent and timely manner (while protecting trade secrets and confidential information and with a view to ensuring equality in communicating information), raise the Company's profile and increase its credibility, ensure communication and information flow between the Board of Directors and the capital markets regulators and participants, compliance with legislation and the Articles of Association in respect of shareholders' rights, and to fulfil obligations of public disclosure in compliance with applicable legislation and the Company's Public Disclosure Policy. The Investor Relations Department reports to the CFO, Ms. Tuba Toprakçı Yılmaz. Ms. Duygu İnceöz was appointed Senior Director of Investor Relations on 26 July 2017. Ms. İnceöz holds a Capital Markets Activities Level III License and a Corporate Governance Rating License and she is a member of Mavi's Corporate Governance Committee. She is in charge of ensuring the Company's compliance with its obligations under Capital Markets legislation and coordinating corporate governance practices within the Company.

In 2017, the Investor Relations Department organized two analyst meetings to share Mavi's financial, operational and strategic developments, attended 10 investor conferences and roadshows, and held 87 teleconferences and meetings. At these events and meetings, the Company had contact with 237 unique investors and analysts from 160 local or international institutions. Additionally, over the year, the Department held three earnings webcasts aimed at investors and analysts, announcing quarterly financial results. For investors and analysts unable to participate in the webcast replays of the webcasts, presentations, and transcripts of the questions addressed to the management and the answers were posted on the Company's website.

Between 15 June 2017 and 31 January 2018, the Company received approximately 370 requests for information. Mavi replied to all of these in accordance with the Company's Public Disclosure Policy and in line with publicly available information. In addition to these emails, the Company informed many investors via telephone.

On 1 March 2018, the Investor Relations Department submitted a report on its activities to the Corporate Governance Committee and the Board of Directors. The Investor Relations Department constantly informs the Board of Directors on the developments in the business sector and the competition.

The Investor Relations Department contact information:

Senior Director of Investor Relations

Duygu İnceöz

Tel: +90 (212) 371 20 29

Email: Duygu.inceoz@mavi.com

2.2. Use of Shareholders Rights to Obtain Information

There is no discrimination between shareholders in respect of rights to examine and receive information, and all information, other than trade secrets, is distributed to shareholders in accordance with the Company's Public Disclosure Policy to avoid inequality in receiving information.

Mavi's Investor Relations Department responds to shareholder and other stakeholders' information requests and questions, via various means of communication, promptly via the most efficient means of communication. Furthermore, to enable shareholders to exercise their right to receive information in the most efficient manner, the Department maintains an Investor Relations webpage which provides investors and other stakeholders with all publicly available financial and operational information, all the Company's material disclosures and public announcements and notifications. The webpage, in English and in Turkish, can be accessed via the corporate website (www.mavicompany.com) or via Mavi's official website (www.mavi.com). Additionally, the Department emails the latest operational and financial announcements to those people or institutions that register for the Investor Relations distribution list.

Although the right to request a special auditor is not regulated as a personal right in our articles of association, under Article 438 of the Turkish Commercial Code and in order to exercise their rights properly, when they deem necessary, each shareholder 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 in case they had previously used their rights to take information and to inspect. To date, shareholders have not asked for such an audit. Besides, the Company operations are being regularly audited by an Independent Auditor appointed by the General Assembly.

2.3. General Assemblies

Amendments to the Company's Articles of Association that ensure compliance with the CMB's objectives and principles and its regulations were adopted at an Extraordinary General Assembly held 22 March 2017, prior to the Company's initial public offering. This General Assembly took place at the Company's headquarters, Sultan Selim Mah., Eski Büyükdere Cad. No. 53, 34418 Kağıthane, Istanbul. This action was pursuant to the approval of the CMB and the Ministry of Customs and Trade. Mavi's Ordinary General Assembly for the 2016 fiscal year was held on 26 April 2017, prior to the Company's initial public offering of the Company's shares, at the Company's headquarters.

2.4. Voting Rights and Minority Rights

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

Shareholders may appoint proxies to attend General Assemblies from among the shareholders or third parties. Proxy holders who are shareholders in their own right may exercise the voting rights accruing to their own shares and to each share for which they hold proxy. The form of the proxy documents shall be determined and announced by the Board of Directors in accordance with capital markets legislation.

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

Shareholders may attend the Company's General Assemblies via electronic media in accordance with Article 1527 of the Turkish Commercial Code and pursuant to Article 10, paragraph (e) of the Articles of Association.

Although the Articles of Association do not provide for a ratio lower than 5% for the exercise of minority rights, Mavi pays utmost attention to enabling the exercise of the minority rights in accordance with the provisions of the Turkish Commercial Code. Mavi has no mutual shareholding relationship with its main shareholders.

2.5. Dividend Rights

The Company sets forth its dividend distribution principles in its Articles of Association, Article 15 "Determination and Distribution of Profit." The Article stipulates that the Company shall adhere to the provisions of the Turkish Commercial Code and capital markets legislation when determining and distributing profit. The Articles of Association do not grant any privileges to shareholders in respect of profit distribution.

The Company's Board of Directors adopted a dividend distribution policy, subsequently included in the Offering Circular announced on Public Disclosure Platform on 5 June2017, and this is set forth below. The Company's Dividend Distribution Policy, following the Ordinary General Assembly'sapproval, shall also be announced to the public on the corporate website.

Dividend Distribution Policy

The purpose of the dividend distribution policy is to ensure implementation of a balanced and consistent policy, between the interests of the investors and the Company, adequately informinginvestors and maintaining a transparent dividend distribution policy towards them, pursuant to the applicable legislation.

The Company's General Assembly shall pass a resolution on dividend distribution, and its manner and timing, upon the proposal of the Board of Directors. The Company aims to distribute to the shareholders and others sharing the profit at least 30% of the distributable net profit, as calculated for the relevant period pursuant to the Articles of Association, the Turkish Commercial Code, the Capital Markets Law, No., to the extent the relevant regulations and the Company's financial resources permit, and considering market expectations, the Company's long-term strategies, the capital needs of subsidiaries and affiliates, investment and financing policies, profitability and cash reserves. Dividends may be distributed in cash or shares without consideration 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 instalments, provided that this is resolved upon during the general assembly meeting where the general assembly has resolved to make dividend distribution.

The dividend distribution shall 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 occurs.

The General Assembly's dividend distribution resolution, passed in accordance with the Articles of Association, may not be revoked unless permitted by the 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 is to be used shall be explained under the agenda item concerning dividend distribution, and this information shall be submitted to the information of shareholders during the General Assembly.

The Board of Directors' dividend distribution proposal or the Board resolutions relating to the distribution of advance dividends shall 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."

2.6. Transfer of Shares

The Articles of Association do not obstruct the transfer of shares. CMB regulations shall apply to Mavi share transfers for shares traded on Borsa Istanbul.

3. Public Disclosure And Transparency

3.1. Company Website and Its 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 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 those disclosures made under the provisions of the applicable legislation; there is no conflicting or missing information. This information is provided in Turkish and English on the website.

3.2. Activity Reports

Mavi's annual and interim activity reports are detailed enough 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 relevant Communiqué of the CMB and under the Corporate Governance Principles. They are published on Mavi's corporate website, www.mavicompany.com.

4. Stakeholders

4.1. Informing Stakeholders

In addition to the shareholders and capital markets participants, Mavi briefs its employees, customers, dealers, suppliers, financial institutions, potential investors and all other stakeholders on a continuous basis via press conferences, press releases, activity reports, Mavi's website and its practices under its Public 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 stakeholders' rights are unregulated by law or contract, the interests of the stakeholders are safeguarded by goodwill and to the extent the Company is able so to do while maintaining the Company's reputation.

The Company constantly briefs the public via press conferences, press releases and interviews. Press statements on financial issues are concurrently released on Mavi's corporate website.

Mavi communicates its notifications and employee briefings to all employees via email at the same time and simultaneously posts them on Mavi's intranet (Maviletişim), which is accessible to all Mavi employees. The Corporate Communications Department also publishes a corporate magazine, *Maviletişim*, to enhance communication with the employees.

The Company designed its communication channels to ensure access for all stakeholders, access details are posted on the Company's website.

Stakeholders may communicate with the Company via the Corporate Governance Committee, the Investor Relations Department or directly via email, post or telephone. 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 charged with examining and resolving complaints communicated in relation to accounting, internal control and independent auditing of the Company and, similarly, to respond to notifications from Company employees concerning accounting and independent auditing. The Audit Committee preserves confidentiality in these cases.

To the extent any conflict of interest arises among the stakeholders or a stakeholder is at the same time included in multiple groups of interest, the Company adheres to a balanced strategy to the extent possible to safeguard its interests.

4.2. Stakeholders' Participation in Management

Mavi has numerous practices aimed at facilitating and supporting stakeholders' participation in the Company's management and it strives to enhance these practices.

Employees:

Numerous regular meetings are held to brief employees and to ensure their participation in management.

The most notable ones are:

- MassMavi meetings: These meetings, open to all headquarters employees, are a platform for departments to share their monthly business plans.
- Management Forum Meetings: These biannual meetings, open to all headquarters employees, present the Company's activities over the previous six months.
- GoForward Meetings: Thanks to the achievements and inspiration of the Adizes methodology, which proved to be efficient in 2015, Mavi implemented a series of workshops in nine "Go" groups. The workshops, initially held with the participation of directors, evolved into multi-functional, solution-oriented project groups including managers. The workshops' scope extended to cover all functions of the Company. The nine workshops—GoJeans, GoWomen's & Accessories, GoMen's, GoCustomer, GoSales, GoOperations, GoInternational, GoSystem & E-commerce, and GoTalent—invite outside experts from various fields.
- GoSeason Meetings: These are biannual meetings providing training to store managers on the forthcoming season's collection and product information. During these meetings, managers of the relevant categories inform the store managers directly about the prominent products of the season and the store managers' feedback is received.
- Marketing Direction Meetings: These are seasonal meetings that determine brand strategy and priorities through customer, market, product and competition analyses, and they share results with management teams.
- Mavi Strategy and Target Meetings for Mavi Stores: These are annual, outdoor, three-day meetings for the store managers and two days for deputy store managers. During these meetings, Mavi's directors make presentations that facilitate the formation of a common Mavi culture and of common targets.

Dealers:

Mavi holds meetings with its domestic and foreign dealers four times a year to present the Company's strategy and targets, and collections. The dealers have briefings on current developments and the dealers' opinions and suggestions are considered.

Suppliers:

Mavi has approximately 130 direct and indirect suppliers, who form an important part of the supply chain. There are various practices in place to increase the Company's cooperation with its suppliers, including supplier trainings, audits and visits, during which general information on the Company's vision, strategy, business targets and future actions are presented, and Mavi's expectations of suppliers in respect to corporate responsibility and occupational health and safety are communicated.

Customers:

One of Mavi's most important priorities is the 'Happiest Mavi Customers' approach. This approach is focused on continuously achieving the highest customer satisfaction. To embed this approach in its operations, Mavi established a special project group, GoCustomer, to channel the energies of Marketing, HR, Sales and Training department employees into this endeavour year round and thereby ensure Mavi customers enjoy superior product and service quality, and perfect shopping experiences.

Mavi customers can contact Mavi by telephone, email, and social media or through Mavi stores to comment on the Company's products and services, communicate their thoughts and feelings about Mavi, or to make suggestions. The Company's in-house call centre team manage the entire multi-channel flow of information Mavi receives and the team responds to the customers appropriately. Customer complaints about products and other matters are recorded and reported. Meetings are held to share these reports with all departments of the Company.

Additionally, a third-party firm monitors all customer social media posts and conversations about Mavi and communicates these to Mavi so it can respond as appropriate and gain valuable insights. Approximately 97% of the content shared and the conversations held on social media regarding Mavi are positive.

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

4.3. Human Resources Policy

Mavi's main Human Resources (HR) targets are to ensure its human resources, its most valuable asset, functions in the most efficient and productive manner possible, to monitor motivation and job satisfaction in terms of remuneration and morale, and to produce relevant policies and measures. Mavi established its Human Resources Policy with the aim of becoming the most favoured employer.

Mavi's HR processes are developed and conducted by teams from Human Resources and Organizational Development, Talent Acquisition and Employment, Retail Human Resources and Administrative Affairs, all of which operate under the supervision of the Global Human Resources Directorate. An employee representative has not been appointed to handle employee relations, but all means of communication are available to all employees of the Company.

HR policies and practices are developed to comply with Mavi's business strategies and to support its sustainable growth. They are defined by the organizational competency and behavioural pattern ("Mavi Competence Model") and are managed accordingly.

Mavi's HR principles consist of the following:

- To recruit both young employees who have the potential to carry Mavi forward, and experienced professionals
- To establish and maintain systems that enable employees to advance, develop, succeed and move forward
- To invest constantly in the development of Mavi employees, to determine their training needs and to prepare and implement relevant training programs
- To ensure Mavi employees perform tasks compatible with their particular knowledge and skills, to establish regulations that improve labour efficiency and productivity
- To nurture employees' loyalty to the Company through career opportunities and reward mechanisms
- To create and maintain a safe, healthy and peaceful working environment in accord with Environment and Occupational Health and Safety

- To cater for employee needs for new positions by seeking to fill vacant positions with existing employees to the extent possible
- To recruit the most appropriate candidates by taking into account both the Company's current and future needs, to offer equal opportunities to the candidates, and to maintain cultural diversity.

The Company has written policies and procedures relating to all Human Resources processes; including employees' job descriptions, and performance and reward criteria. These documents are available on Maviletişim, which is a portal accessible to all employees. Employees are provided with periodical briefings via the Company's email system and intranet platform.

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 2017.

4.4. Rules of Ethics and Social Responsibility

Mavi communicates its understanding of ethics under the Code of Conduct, 'Us and Our Principles in Mavi' (*Mavi'de Biz ve* İlkelerimiz), which is available to all stakeholders via the Company's corporate website and its intranet. If Mavi employees witness unethical conduct at work, they may submit an anonymous complaint via the dedicated Ethics Line. Mavi's customers, suppliers, and other stakeholders or groups may submit complaints of unlawful or unethical practices to the Ethics Board via telephone or email.

Mavi's Ethics Board is charged with investigating and resolving complaints of and notifications about ethics violations. The Ethics Board consists of three permanent and two substitute members and it operates under the supervision of the CEO. The Ethics Board's chairperson and members perform their duties independently from the hierarchy within their own departments and departmental managers, and free of external influence. The Ethics Board shall not be exposed to pressure from anyone and its decisions are implemented promptly.

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

- Supporting the Ecological Research Association's (*Ekolojik Araştırmalar Derneği, EKAD*) Indigo Turtles project, assisting the preservation of sea turtles facing extinction, from 2014
- Granting scholarships annually to female students, the number of which equals the age of the Company. In 2017, 27 students received grants under the Mavi Scholarship project and they shall receive support throughout their university education
- Participating in the United Brands Association's (*Birleşmiş Markalar Derneği*) project, Turkey's Children Dressed by Turkey's Brands, which supports the provision of clothing to thousands of students each year.

5. Board Of Directors

5.1 Board of Directors' Structure and Composition

The duties and responsibilities of Mavi's Board members are clearly set forth in the Company's Articles of Association. The Board of Directors principally defines the Company's strategic targets, determines the personnel and financial resources the Company requires, and supervises 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, shall constitute the majority of Board members.

Mavi 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.

A 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 forth 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. During 2017, no circumstances that would impair the independence of the independent members occurred.

Currently, only one woman sits on Mavi's Board of Directors. The Corporate Governance Committee has recommended to the Board of Directors increasing the number of female Board members and work is progressing on this matter.

The curricula vitae of the Board members are included in the 2017 Annual Report under the section headed 'Board of Directors' and they are publicly available on the Company's website.

In Mavi, the positions of the Chairperson of the Board of Directors and the CEO are assumed by separate people. 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.

Currently, the Board of Directors of Mavi consists of six members, as 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, Board of Directors Non-executive	Chairperson - Mavi USA Member, Supervisory Board - Mavi Germany Company Secretary - Mavi Canada	-
Seymur Tarı	Vice Chairman, Board of Directors Non-executive	-	Manager, Istanbul Liaison Office, Turk Ventures Adv Ltd. Member of the Boards of Directors of: Medical Park Sağlık Hizmetleri A.Ş., Flo Mağazacılık ve Pazarlama A.Ş., Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. and DP Eurasia BV Chairperson, Board of Directors, MNG Kargo A.Ş.
Fatma Elif Akarlılar	Member, Board of Directors Executive Global Brand Director	Member, Management Board - Mavi Germany	-
Ahmet Cüneyt Yavuz	Member, Board of Directors Executive CEO	Member, Management Board - Mavi Germany Member, Management Board - Mavi Netherlands	-
Ahmet F. Ashaboğlu*	Independent member, Board of Directors Non-executive	-	CFO, Koç Holding Member, Boards of Directors, various Koç Group companies
Nevzat Aydın*	Independent member, Board of Directors Non-executive	-	CEO and Board Member, Yemeksepeti.com Advisory Board Member, Allianz Member, Boards of Directors: Endeavor (www.endeavor.org.tr), Networkdry (www.networkdry.com), Oak Bilişim Yatırım A.Ş.

* Pursuant to the Board of Directors decision dated 17 July 2017, Ahmet F. Ashaboğlu and Nevzat Aydın were appointed to replace Arif Kerem Onursal and Hatice Hale Özsoy Bıyıklı, who resigned their Board memberships. Ahmet F. Ashaboğlu and Nevzat Aydın are to serve the remaining term of office of their predecessors and, as per Article 363 of the Turkish Commercial Code, the Board has resolved that their appointments be submitted for the approval of the first General Assembly to be convened.

5.2. Board of Directors Principles of Activity

Board meeting agendas are determined upon the notification by the relevant units to the senior management and the Board of Directors of the matters which are expressly stipulated by the Articles of Association to be considered by the Board of Directors. The Board shall convene or pass resolutions as and when the Company's affairs necessitate upon the request of the Chairperson or the Vice Chairperson. In the 2017 fiscal year, the Board of Directors passed 74 resolutions.

In general, all members of the Board attend the meetings that are held in accordance with Article 390/1 of the Turkish Commercial Code.

Pursuant to 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 a majority of the Board members to proposed resolutions submitted in writing by Board members.

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

Dates of Board meetings are set at the beginning of each fiscal year and communicated to Board members. Meeting notifications are also sent via telephone and email. The Company's Senior Legal Director acts as Secretary of the Board of Directors.

Board meeting minutes record all questions raised, all matters discussed, and all resolutions passed, with the reasoning for the voting outcomes. No votes were cast against Board resolutions in 2017.

In the 2017 fiscal year, any related party transactions or any significant transactions were not present which were not approved by the independent members and therefore were needed to be submitted for the approval of the General Assembly.

The Company has executive liability insurance coverage of US$25 million, which extends to all members of the Board of Directors and to 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 Timely Risk Identification Committee, and a Corporate Governance Committee on 24 May 2017 to ensure that the Board fulfils its duties and responsibilities in a sound and safe manner, in accordance with the Turkish Commercial Code and capital markets legislation. The duties and principles of operation of such committees were disclosed to the public in the public offering circular. The Principles of Operation of the Committees are available on the Company's corporate website.

The Board of Directors appointed members to these committees on 22 August 2017, pursuant to the relevant resolution disclosed on the Public Disclosure Platform (PDP).

The Company formed no Nomination Committee or Remuneration Committee in 2017 and it has a policy of delegating the relevant functions to the Corporate Governance Committee.

The Board of Directors provides all resources and full support to its committees in performance of their assigned duties.

Executive members are ineligible 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 / Executive
Ahmet F. Ashaboğlu	Chairperson	Independent / Non-executive
Nevzat Aydın	Member	Independent / Non-executive

The Audit Committee fulfils its assigned duties in accord with capital markets legislation and the Principles of Operation of the Committees adopted by the Company's Board of Directors.

The Audit Committee passed six resolutions in 2017, collectively expressing its observations on the accuracy, correctness and compliance with the Company's accounting principles of the annual and interim financial tables prepared for public disclosure, and the assumptions on which the public offering price was determined.

Mavi established its Internal Audit Department in 2017 during the initial public offering process. While integral to the Company's organizational structure, the Department holds to the principles of independence and reports directly to the Audit Committee.

Corporate Governance Committee

Name	Title on the Committee	Independent / Executive
Nevzat Aydın	Chairperson	Independent / Non-executive
Ahmet F. Ashaboğlu	Member	Independent / Non-executive
Duygu İnceöz	Member	

The Corporate Governance Committee was established to monitor the Company's compliance with the Corporate Governance Principles and, in respect to those principles that have yet to be implemented, to examine the reasons for non-implementation and to recommend to the Board of Directors ways to improve corporate governance practices.

Within 2017, the Committee evaluated the Company's corporate governance practices and the Corporate Governance Report, and informed the Board of Directors on the activities of the Investor Relations Department.

Timely Risk Identification Committee

Name	Title on the Committee	Independent / Executive
Ahmet F. Ashaboğlu	Chairperson	Independent / Non-executive
Ragıp Ersin Akarlılar	Member	Independent / Non-executive
Tuba Toprakçı Yılmaz	Member	

This committee was established to identify in a timely manner the risks pose to the Company's existence, development and continuation, to implement risk-mitigation and risk management measures.

The Timely Risk Identification Committee convenes at least six times a year. Since 22 August 2017, the date Committee members were appointed, the Committee has notified the Board twice in writing. The Committee has also briefed the Board of Directors on Enterprise Risk Management and associated steps and actions.

5.4. Risk Management and Internal Control Mechanism

Mavi has established a Timely Risk Identification 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 in a timely manner those risks that may jeopardize the Company's existence, development and continuation thereby supporting the Board of Directors' implementation of risk-mitigation and management measures. The Committee reports to the Board of Directors once every two months and the Company forwards these reports to its independent auditors. The Board of Directors regular assesses the risks the Company faces based on the information the Committee provides.

Responsibility for the management and reporting of risks is supervised by the CFO, who does so in coordination with other departments. The risks presented in the periodical reports are discussed and evaluated in detail at the relevant meetings. The principal risks facing the Company are considered under four main headings: external risks, strategic risks, operational risks and financial risks (exchange rate, liquidity, interest rate and commodity prices risks).

In addition to the foregoing, Mavi is progressing toward full compliance with the Information Technologies Systems Communiqué, which entered into force 5 January 2018, on publication in the *Official Gazette*, No. 30292.

Mavi established its Internal Audit Department in 2017 during the Company's public offering process. While integral to the Company's organizational structure, the Department holds to the principles of independence and reports directly to the Audit Committee, which is composed of members of the Board of Directors.

The Internal Control System is composed of standard descriptions, job descriptions, authorization processes, policies and written procedures defined in the workflows. The senior management of the Company and of 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 personnel and financial resources that the Company requires and supervises management performance. In this regard, Road Maps 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 account local and international events. Twice a year, first with c-level managers and the second with all level managers, GoForward meetings are organized to discuss these strategies and confirm the alignment of the whole organization on short- and long-term targets of the company.

Mavi's Management Budget, detailing its 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 autumn-winter. These plans are discussed in detail and finalized and approved during budget meetings held with the entire senior management and the Board of Directors. The Board of Directors' monitors the financial performance of the Company against budget through quarterly meetings. The Board reviews strategic developments, formulates strategies and makes investment decisions with due regard for the recommendations of the administrative units.

The annual performance evaluation process reviews financial and operational indicators, and the degree the Company has attained its strategic targets. These results are reflected in the performance system.

5.6. Financial Rights

All rights, benefits and remuneration accorded members of Mavi's Board of Directors or senior management, the criteria applied when determining such, and the principles of remuneration, are presented in the Company's Remuneration Policy. This is available on the Company's corporate website. Mavi's Remuneration Policy shall be submitted for shareholders' approval at the upcoming General Assembly.

Determination of the remuneration payable to Board of Directors members shall constitute a separate agenda item during the Ordinary General Assembly.

Independent Board Members remuneration shall not involve dividends, share options or performance-based payment plans.

The 2017 aggregate of financial benefits paid to Board members, the General Manager and senior management was TL 32,160,000, 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 members of the Board of Directors and senior managers are disclosed to the public via the Company's Annual Report.

The Board of Directors submitted for General Assembly approval a resolution to pay TL 8,000.00 net monthly as attendance fees to the independent Board members, Nevzat Aydın and Ahmet F. Ashaboğlu, and to the Chairman of the Board of Directors, Ragıp Ersin Akarlılar commencing 17 July 2017, the date they assumed their positions.

Board members may not obtain any loan or other credit from the Company, nor may the Company give any guarantees or other collateral in favour of such persons.

LEGAL DISCLOSURES

Company Information and Shareholding Structure

Mavi Giyim Sanayi ve Ticaret A.Ş.("Mavi" or "Company"), is established in Turkey. The registered address of the Company is Sultan Selim Mahallesi Eski Büyükdere Caddesi No:53 34418, Kağıthane, İstanbul. The Company is a member of Büyük Mükellefler Tax Office with tax ID number 613 002 7985 and registered with Istanbul Trade Registry with registration number 309315. The corporate web site of the Company (www.mavicompany.com), which can be reached via the Company's official web site (www.mavi.com).

Company's shared capital consists of 49,657,000 shares, all of which are issued, fully paid and have a nominal value of TRY 1.00 each as of January 31, 2018. The authorized share capital limit is TRY 245,000,000.

Mavi shares started trading on Borsa Istanbul on 15 June 2017 with the ticker MAVI. Capital structure of the Group as of January 31, 2018 is as follows;

SHAREHOLDER	%	31 January 2018
Blue International Holding B.V.	27.41	13,608,293
Free Float	72.59	36,048,707
	100.00	**49,657,000**

Direct and Indirect Subsidiaries

Direct and indirect subsidiaries of the Company are as follows:

Subsidiary	Country	Share
Mavi Europe AG	Germany	100,00%
Mavi Jeans Nederland BV	Netherlands	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	38,25%
Mavi Jeans Inc.	USA	51,00%

Information Regarding The Extraordinary General Assembly Meetings Held During The Year, If Any

No Extraordinary General Assembly Meeting was held during the reporting 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 obliged 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 a result of this Subsidiaries Report, which was issued by Mavi's Board of Directors on 15 March 2018, it was concluded that in respect of 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 01.02.2017 – 31.01.2018, the consideration received in each transaction was appropriate as per the conditions and circumstances then known to Mavi, there were no measures which 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 Regarding The Lawsuits Filed Against Mavi Which May Have An Effect On The Financial Standing And Activities Of Mavi And The Potential Outcome Of Such Lawsuit

There is no lawsuit filed against Mavi which is material enough to have an effect on Mavi's financial standing or activities.

Explanations Regarding Administrative And Judicial Sanctions Imposed On Mavi And Its Board Members Due To Acts Violatıng The Applicable Legislation

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

Information Regarding The Amendments To The Artıcles Of Association During The Period In Question

The amendments required under Article 6 of the Communiqué Serial VII No: 128.1 of the Capital Markets Board in order to ensure the compliance of the Articles of Association with the objectives and principles of the Capital Markets Board and the regulations set forth by the Capital Markets Board have been adopted during the General Assembly Meeting held on 22 March 2017 pursuant to the approvals of the Capital Markets Board and the permission of the Ministry of Customs and Commerce. The resolutions passed during such General Assembly Meeting have been registered with Istanbul Trade Registry Directorate on 7 April 2017 and the Articles of Association have been announced in the Turkish Trade Registry Gazette No. 9305 on 13 April 2017.

Explanations Regarding The Private And Public Audits Conducted During The Reporting Period

Regular audits have been conducted by the public authorities within 2017 and no official notification of a material nature has been communicated to Mavi.

Information Regarding The Shares Of Mavi Acquired By Itself

Mavi has not acquired any of its own shares within the accounting period of 01.02.2017 - 31.01.2018.

Examination Under Article 376 Of The Turkish Commercial Code

Whether or not Mavi's capital was preserved and not lost as per Article 376 of the Turkish Commercial Code has been evaluated. Accordingly, it has been established that as of 31 January 2018, Mavi's issued capital of TL 49.657.000 was well preserved, with the main shareholder having a shareholder's equity of TL 13.608.293 and with a net financial indebtedness/equity of 0.45, Mavi's indebtedness level was convenient 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

Ersin Akarlılar | Chairman

Ersin Akarlılar holds a BSc 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 established Mavi USA in 1996 in New York where he serves as President. In August 2008, Ersin Akarlilar was elected as a member of the Board of Directors, which he chairs since July 2017.

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, a co-founder of private equity firm TURKVEN where he is currently the CEO, has led several investments for the firm since 2000. Tarı previously worked for McKinsey & Company's Istanbul office focusing on corporate portfolio strategy and at Caterpillar Inc. in Geneva as a product manager with responsibility for the EMEA & CIS regions. Tarı has formerly served as Chairman at Mavi for nine years and Domino's for seven years and is currently the Chairman of MNG Kargo and Vice Chairman of the Boards of Directors at Medical Park, Koton, Mavi, Flo and Domino's.

Cüneyt Yavuz | Member

Cüneyt Yavuz holds a BA in Political Science from Boğaziçi University and a graduate degree in International Relations from Johns Hopkins University. Yavuz 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 and lived in Warsaw for five years. Cüneyt Yavuz joined Mavi in 2008 as Chief Executive Officer and was elected to the Board of Directors as member in March 2017.

Elif Akarlılar | Member

Elif Akarlılar 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. Elif Akarlılar joined Mavi in 1991 and prior to her appointment as Global Brand Director, held various product development and brand management positions within the Mavi organizations in Istanbul and in New York. Elif Akarlılar continues to serve as a member of the Board of Directors since August 2008.

Ahmet Fadıl Ashaboğlu | Independent Member

Mr. Ashaboglu holds a Bachelor of Science 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 consultant at McKinsey & Company, New York (1999-2003), Ahmet Ashaboğlu moved 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 an independent member in July 2017.

Nevzat Aydın | Independent Member

Nevzat Aydın (born 1976) holds a computer engineering degree from Boğaziçi University. He then attended University of San Francisco for an MBA in Silicon Valley and later returned to Turkey to launch his "yemeksepeti.com" project. Nevzat Aydın is the co-founder and global CEO of Yemeksepeti.com, the first and largest online food delivery portal in Turkey.

Currently, Mr. Aydın is a board member of Endeavor Turkey, TOBB (Union of Chambers and Commodity Exchanges of Turkey) Young Entrepreneurs and American Turkish Society and a founding member of Galata Business Angels. In addition to his role as a member on the Advisory Board of Allianz, Nevzat Aydın has been serving as an independent board member at Mavi since July 2017.

EXECUTIVE MANAGEMENT

Cüneyt Yavuz | CEO

Cüneyt Yavuz holds a BA in Political Science from Boğaziçi University and a graduate degree in International Relations from Johns Hopkins University. Yavuz 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 and lived in Warsaw for five years. Cüneyt Yavuz joined Mavi in 2008 as Chief Executive Officer and was elected to the Board of Directors as member in March 2017.

Elif Akarlılar | Chief Branding Officer

Elif Akarlılar 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. Elif Akarlılar joined Mavi in 1991 and prior to her appointment as Global Brand Director, held various product development and brand management positions within the Mavi organizations in Istanbul and in New York. Elif Akarlılar continues to serve as a member of the Board of Directors since August 2008.

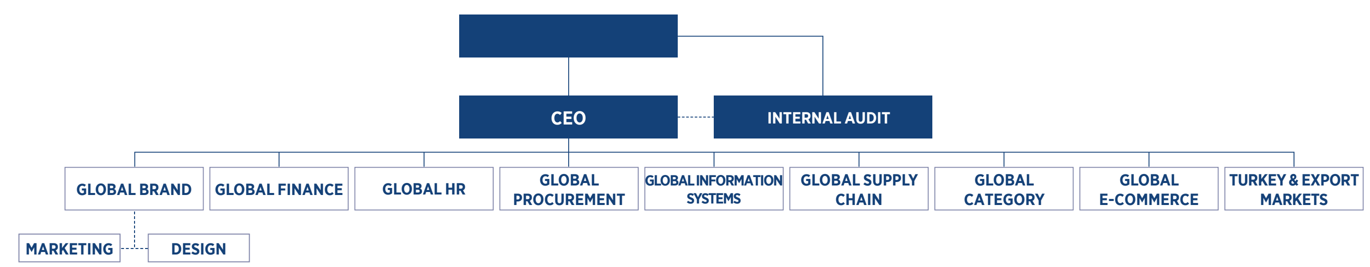
Tuba Yılmaz | CFO

Tuba Yılmaz was appointed Chief Financial Officer in 2006. Ms. Yılmaz has been with Mavi for 19 years. Prior to becoming CFO, Tuba Yılmaz held various positions at Mavi America. Before Mavi, she worked at Demirbank and Tarnak Freight. Ms. Yilmaz holds a BA degree in Business Administration and an MA in Finance from Istanbul University.

Savan Tüysüz | Chief Commercial Officer (Turkey & Export Markets)

Savan Tüysüz joined Mavi in January 2016 as Country Director for Turkey. Since 2012 he served as Sales Director – Turkey for Reckitt Benckiser and, previously served in a number of senior management positions with Procter & Gamble. Mr. Tüysüz holds a BA degree in International Relations from Boğaziçi University.

ORGANIZATIONAL CHART AND CHANGES DURING THE REPORTING TERM



The Marketing and Design Departments reporting to Chief Brand Officer (CBO) have been structured to encompass global marketing and design operations under Global Brand. Accordingly, Marketing Director title has been renamed Chief Marketing Officer (CMO) and Design Director title as Chief Design Officer (CDO), respectively.

Country Management, Turkey has also taken on the responsibility of managing Export Markets. Accordingly, the title of Country General Manager, Turkey has been renamed Chief Commercial Officer, Turkey & Export Markets. With the integration of Export Markets into the Country Management, Turkey group, Chief International Markets Officer has been appointed to the role of Country General Manager, Russia.

The E-commerce Department has been structured to encompass global e-commerce operations. Accordingly, the title of E-Commerce Director has been renamed Chief E-Commerce Officer (CECO).

Internal Audit Department has been established to report to the Board of Directors.

Investor Relations Department has been established within the Global Finance department to report to the Chief Financial Officer (CFO).

Mavi Netherlands Office has been closed and its operations handed over to the Germany office to be managed under the Mavi EU organization.

BOARD OF DIRECTORS' ASSESMENTS

Board of Directors' Evaluation on the Financial Performance and Operational Results for the 2017 Accounting Period

In addition to the improvement in Turkey's macroeconomic outlook and rising consumer confidence index and consumer demand, factors including

- Strong brand positioning and recognition
- Customer loyalty and frequency
- New customer acquisition
- Right price, right product, right time
- Superior service and quality have resulted in increased traffic and revenue growth, exceeding the Company's 2017 targets and expectations. The strong growth observed particularly in like for like (LFL) mono-brand stores (22.8%) has brought along increased efficiency and improved margins. In the 2017 accounting period that ended on 31 January 2018:

  The Group's consolidated revenues amounted to TL 1,782 million, increasing 36% year on year.

  Gross profits reached TL 906 million with an increase of 36% and gross profit margin of 50.9%.

  EBITDA grew by 48% compared with 2016 to TL 252 million with a 1.1 ppt increase in EBITDA margin to 14.1%.

  Net debt of TL 178 million as of 31 January 2017 has been reduced to TL 112 million as of 31 January 2018 with net debt to EBITDA ratio of 0.4x.

  In 2017, TL 73 million in total was invested in new store openings and expansion of existing stores, with capital expenditures accounting for 4.1% of revenues.

Operating Principles and Effectiveness of Committees under the Board of Directors

Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee were established within Mavi on 24 May 2017 with the aim of ensuring that the Board of Directors fulfills its duties and responsibilities in a healthy manner. The duties and operating principles of the committees were determined and disclosed to the public within the scope of the public offering prospectus. Members were assigned to these committees by the Board of Directors' resolution dated 22 August 2017 and the appointments were disclosed on the Public Disclosure Platform (KAP).

Audit Committee

The Audit Committee convenes four times a year, at least once every three months, puts all the work carried out in writing, keeps their records and reports to the Board of Directors with information on the Committee's work and the outcome of the Committee meetings. The Committee promptly notifies the Board of Directors in writing of its assessments and recommendations concerning its duties and responsibilities. The decisions of the committee are considered as recommendations to the Board of Directors.

The Committee is responsible for taking all necessary measures to ensure that all internal and independent audits are carried out adequately and transparently, assessing compliance with accounting principles as well as accuracy and validity of the annual and interim financial statements to be disclosed to the public, reviewing related party transactions, effectively implementing the internal control system and overseeing compliance with ethical codes.

In 2017, the Audit Committee has reached six resolutions in total and submitted them to the Board of Directors in writing with information on its assessments of annual and interim financial statements to be disclosed to the public in terms of their truth, accuracy and compliance with the accounting principles adopted by the Company as well as its assessments regarding the realization of the assumptions considered in setting the public offering price.

Corporate Governance Committee

The Corporate Governance Committee monitors the Company's compliance with Corporate Governance Principles, analyzes the reasons for not implementing the Principles that have not been implemented yet and offers improvement recommendations to the Board of Directors, reviews complaints related to shareholders communicated to the Group, its shareholders and ensures that they are resolved and develops proposals to ensure 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 2017, the Committee has assessed the Company's corporate governance practices and the Corporate Governance Principles Compliance Report and provided the Board of Directors with information about the activities of the Investor Relations Department. The Committee, with the responsibilities of the Nomination Committee, has also submitted two reports to the Board of Directors including proposals for the qualifications of eligible candidates for Board membership positions and assessments of the nominated independent members.

Early Detection of Risk Committee

The Early Detection of Risk Committee offers opinions to the Board of Directors for establishing internal control systems, including risk management and information systems processes that might minimize the possible risks, which may affect the Company's stakeholders and shareholders in particular. The Committee identifies a technical bankruptcy early on and alerts the Board of Directors to this issue. The Committee also develops proposals for measures that need to be taken in this respect. It submits a report to the Board of Directors every two months concerning situation assessments, indicating threats if any and offering remedies. This report is also sent to the auditor.

In principle, the Early Detection of Risk Committee convenes at least six times a year and following the assignment of members on 22 August 2017, the Committee has submitted two written notifications, one in October and one in December to the Board of Directors. The Committee has also carried out activities to inform the Board of Directors about Corporate Risk Management and determine the steps actions to be taken for this purpose.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Risk management and reporting at Mavi are carried out in coordination with other departments under the leadership of Global Finance Department. In the reports prepared at regular intervals and meetings, risks are prioritized, assessed in detail and necessary action plans are made. The major risks that the company is exposed to are categorized under four main headings, operational risks, financial risks (exchange rate, liquidity, loans, interest rates and commodity prices), strategic risks and external risks. The Early Detection of Risk Committee and the Board of Directors are periodically informed of such risks.

External Risks

Macroeconomic developments such as slowing economic growth and decline in consumer confidence index as well as legal regulations and changes that may weaken competitive strength, social, legal or political instability or significant regulatory changes that might negatively affect trade with the countries of operation or supply are among the major external risks that Mavi may be exposed to. In order to ensure maximum protection against external risks, the Company exercises utmost diligence when choosing the markets in which to operate and avoids direct investment in risky geographical regions. The company's R&D and innovation culture serves to protect its competitive strength. Maintaining low levels of leverage is also among the Company's strategic priorities.

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 and making insufficient investments or misguiding investments. Mavi creates three-year strategic road maps, with the first year in detail and the next two years in macro scale and annually reviews and updates this roadmap in light of current developments.

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, interruption in suppliers' services or halting of such services. Mavi introduces continuous improvements in all its systems to make operational processes more efficient. For this purpose, a project team (Go Operations) operating across functions has been established and works toward concrete measurable targets for three years.

Financial Risks

In terms of assets and liabilities in different currencies, the key financial risks are exchange rate risk, the change in the value of Turkish Lira against foreign such as US dollar, Euro, Russian ruble and Canadian dollar and liquidity and cash flow problems in line with operating capital needs. Aiming to keep financial risks under control, various financial indicators, including Net Financial Debt/EBITDA and liquidity ratios, foreign exchange position and maturity distribution of debts 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. (18% of Mavi's consolidated revenues are in foreign currencies, particularly in in US dollars and Euros, while 20% of the products are imported.)

Internal Control System and Internal Audit Activities

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.

Internal Audit Department's duties include checking the reliability and accuracy of the financial statements of the company and its subsidiaries, ensuring that 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 increase the effectiveness and efficiency of operations and contributing to finding solutions to minimize such risks.

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 minimize 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 descriptions, job descriptions, authorization processes, policies and written procedures defined in the workflows. The senior management of the Company and of its subsidiaries hold responsibility for internal control mechanisms. The Internal Control System is periodically reviewed and audited by the Internal Audit Department.

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 period from 01.02.2017 to 31.01.2018, which were prepared by the Company and audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with Turkish Accounting Standards/Turkish Financial Reporting Standards and formats determined by Capital Markets Board (CMB) in accordance with CMB "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 as well as notes to yearend financial statements, we hereby declare our responsibility for the following:

- We have examined the financial statements,
- Within the frame of information 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 we hold in our fields of duty and responsibility in the Company, the financial statements prepared pursuant to the Communiqué – together with those covered by consolidation, if any – 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 PURSUANT TO CAPITAL MARKET BOARD'S COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ARTICLE 9

We hereby present the Annual Report prepared by the Company for the special accounting period from 01.02.2017 to 31.01.2018 and audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with Turkish Commercial Code and Capital Markets Board's "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") II.14.1 and declare our responsibility for the following:

- We have examined the Annual Report,
- Within the frame of information 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 statement,
- Within the frame of information we hold in our fields of duty and responsibility in the Company, the Annual Report prepared pursuant to the Communiqué fairly reflects the progress and performance of business and – together with those covered by consolidation, if any – the financial situation of the entity, along with material risks and uncertainties encountered by the Company.

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

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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 31 January 2018 With Independent Auditor's Report on Consolidated Financial Statements Thereon

14 Mart 2018
This report includes 8 pages of independent auditor's report and 76 pages of consolidated financial statements together with their explanatory notes.

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

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KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

Independent Auditors' Report

To the Shareholders of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi

Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 January 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

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.

Revenue recognition

Refer to the Note 2.3, (i) for the relevant accounting policy and disclosures.

The key audit matter	How the matter was addressed in our audit
The Group's revenue is primarily generated from retail sales. In addition to retail sales, the Group generates revenue from wholesale and export sales. There is an inherent control risk with respect to accuracy of revenue recognised from retail sales in the consolidated financial statements due to the large volume of data processed in billing process. Due to the complexity of sales contracts with customers for wholesale and export sales, the timing of revenue recognition involves significant management judgment which gives rise to an inherent control risk. Revenue recognition from retail sales revenue has been identified as one of the key audit matters, as the accuracy of revenue recorded by information technology ("IT") billing systems involves an inherent control risk due to complexity of these systems and the volume of data processed by these systems.	We have performed the following audit procedures to be responsive to this area: - Assessing the appropriateness of the revenue recognition policy of the Group; - Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of the below controls; • key internal controls over the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls, • key internal IT controls over the completeness and accuracy of rating and bill generation and the end-to-end reconciliation controls from the rating and billing systems to the accounting system, • Testing the integration between IT infrastructure of cash register transaction system and accounting system. - Assessing the timing of revenue recognition and in compliance with accounting policies by examining the transfer of risk and rewards through the sales documents obtained for the sales transactions tested on a sample basis.

KPMG

Key Audit Matters (continued)

Revenue recognition (continued)

The key audit matter (continued)	How the matter was addressed in our audit (continued)
In addition, the recognition of revenue in the period when the sales is realized is attributable to the assessment whether the product is related with the sales contract. Since sales contracts' structures might be complex, significant judgements must be made while choosing the accounting policy for each condition. Since the timing of revenue recognition requires significant judgements due to the complexity of sales contracts, accounting of wholesale and export sales has been identified as one of the key audit matters.	- By examining the incoterms on the sales documents; assessing the timing of revenue recognition due to variety of shipping arrangements, - Obtaining confirmation letters for trade receivables on a sample basis and checking whether confirmed amount is in line with financial statements, - Performing analytical procedures for the amount of revenue to determine the existence of unusual and one-off transactions, - Testing subsequent period sales returns on a sample basis in order to determine whether the revenue has been appropriately and accurately recognized in the correct reporting period.

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Key Audit Matters (continued)

Inventory impairment provision

Refer to the Note 2.3, (d) and Note 9 for the relevant accounting policy and disclosures.

The key audit matter	How the matter was addressed in our audit (continued)
The Group's inventories carry a risk of impairment due to changes in consumer demands and fashion trends. The computation of inventory impairment provision involves management judgments and estimates. These judgments and estimates include evaluation of the slow moving inventories due to various reasons such as changes in customer demands and fashion trends. 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.	We have performed the following audit procedures to be responsive to this area: - Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, - Inquiry with the Group management about the risk of impairment as a result of changes in customer demands and fashion trends, - Analytical procedures on inventory turnover rates compared to prior periods, - Evaluation of adequacy of the provision for impairment on inventories through comparing with prior periods, - Evaluation and testing accuracy and completeness of inventory reports, - Testing on a sample basis, the net selling prices used in calculation net realizable value of inventories, - Observation of obsolete and damaged inventories during the inventory counts.

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Key Audit Matters (continued)

Impairment of goodwill

Refer to the Note 2.3, (c) for the relevant accounting policy and disclosures

Key audit matters	How the matter was addressed in our audit
As at 31 January 2018 the goodwill recognized in the consolidated financial statements amounted to TL 99,699 thousand. Goodwill amounting to TL 86.762 thousand is allocated to Mavi United States, goodwill amounting to TL 9.204 thousand is allocated to Mavi Canada and the remaining amount of goodwill is allocated to other subsidiaries. Goodwill which has indefinite useful life should be tested for impairment annually. In performing impairment assessments, management compared the carrying value of each of the separately identifiable cash generating units ("CGUs") to which goodwill had been allocated with their respective value in use based on discounted cash flow forecasts to determine if any impairment loss should be recognized.	We have performed the following audit procedures to be responsive to this area: - Evaluating management forecasts and future plans based on macroeconomic information, - Evaluating the reasonableness of forecasted cash flows for each CGU by comparing with its historical financial performance, - Involving valuation specialist to assist in evaluating the appropriateness of discount rates applied, which included comparing the WACC with sector averages for the relevant markets in which the CGU's operate; - Checking the arithmetical accuracy of the underlying calculations and the modeling of the discounted cash flow analysis, - Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities,

Key Audit Matters (continued)

Impairment of goodwill (continued)

Key audit matters *(continued)*	
The recoverable amount of CGUs, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rates and the weighted-average cost of capital ("WACC"). These estimates and assumptions are highly sensitive to the expected future market conditions. We identified this issue as a key audit matter because the carrying amount of goodwill is material to the consolidated financial statements and also because of the significant judgment required in determining the assumptions to be used by the management to estimate the recoverable amount.	

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 IFRS 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 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 auditors' 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.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

İsmail Önder Ünal
Partner
14 March 2018
İstanbul, Turkey

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Financial Position
As at 31 January 2018

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

	Notes	Audited 31 January 2018	Audited Restated (1) 31 January 2017
ASSETS			
Current assets			
Cash and cash equivalents	4	266,280	158,056
Trade receivables	7	112,996	109,381
- Due from related parties	6	--	*4,059*
- Due from third parties		*112,996*	*105,322*
Other receivables	8	24,187	21,491
- Due from third parties		*24,187*	*21,491*
Derivatives	29	848	7,336
Inventories	9	320,351	287,844
Prepayments	10	23,358	20,388
Current tax asset	27	183	5,287
Other current assets	17	13,176	15,597
Total current assets		**761,379**	**625,380**
Non-current assets			
Other receivables	8	2,981	2,014
- Due from third parties		*2,981*	*2,014*
Prepayments	10	106	68
Property and equipment	11	156,033	136,579
Intangible assets	12	47,900	55,551
Goodwill	13	99,699	100,472
Deferred tax assets	27	7,145	6,746
Total non-current assets		**313,864**	**301,430**
TOTAL ASSETS		**1,075,243**	**926,810**

(1) See Note 2.3
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
As at 31 January 2018

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

	Notes	Audited 31 January 2018	Audited Restated [1] 31 January 2017
LIABILITIES			
Current liabilities			
Loans and borrowings	5	309,099	230,814
Trade payables	7	366,455	299,515
- Due to related parties	*6*	*122,672*	*108,740*
- Due to third parties	*7*	*243,783*	*190,775*
Payables to employees	16	18,081	14,849
Other payables	8	13,619	86,721
- Due to related parties	*6*	*7,420*	*76,365*
- Due to third parties		*6,199*	*10,356*
Derivatives		235	--
Current tax liabilities	27	4,476	203
Provisions	14	9,767	10,630
- Provisions for employee benefits		*2,359*	*2,159*
- Other provisions		*7,408*	*8,471*
Deferred revenue	10	14,566	11,985
Other current liabilities	17	5,879	9,746
Total current liabilities		**742,177**	**664,463**
Non-current liabilities			
Loans and borrowings	5	68,736	105,209
Provisions	14	4,741	3,151
- Provisions for employee benefits		*4,741*	*3,151*
Deferred revenue	10	641	119
Deferred tax liabilities	27	11,767	13,398
Total non-current liabilities		**85,885**	**121,877**
TOTAL LIABILITIES		**828,062**	**786,340**
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	49,657	49,657
Reserves		2,491	(16,749)
Retained earnings		197,588	115,797
Equity attributable to owners of the Company		**249,736**	**148,705**
Non-controlling interests		**(2,555)**	**(8,235)**
Total equity		**247,181**	**140,470**
TOTAL EQUITY AND LIABILITIES		**1,075,243**	**926,810**

[1] See Note 2.3
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 2018

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

	Notes	Audited 1 February 2017 – 31 January 2018	Restated [1] 1 February 2016 – 31 January 2017
Revenue	*19*	1,781,656	1,307,934
Cost of sales	*20*	(875,313)	(640,915)
Gross profit		**906,343**	**667,019**
Administrative expenses	*21*	(100,317)	(76,670)
Selling and marketing expenses	*21*	(594,042)	(448,336)
Research and development expenses	*22*	(23,058)	(18,657)
Other income	*23*	2,544	1,924
Other expenses	*23*	(1,279)	(1,601)
Operating profit		**190,191**	**123,680**
Finance income	*25*	4,092	15,311
Finance costs	*26*	(82,042)	(70,531)
Net finance costs		**(77,950)**	**(55,220)**
Profit before tax		**112,241**	**68,461**
Income tax expense		**(22,239)**	**(16,647)**
- Tax expense	*27*	(23,936)	(15,524)
- Deferred tax income/(expenses)	*27*	1,697	(1,123)
Profit		**90,002**	**51,813**
Profit attributable to:			
Owners of the Company		85,871	50,064
Non-controlling interests		4,131	1,749
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	*15*	(877)	(313)
- Related tax		193	63
Items that are or may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		16,737	436
Cash flow hedging reserves		841	--
- Related tax		(185)	--
Other comprehensive income net of tax		**16,709**	**186**
Total comprehensive income attributable to:			
Owners of the Company		101,031	53,111
Non-controlling interests		5,680	(1,112)
Total comprehensive income		**106,711**	**51,999**
Earnings per share	*28*		
Basic earnings per share	*28*	1.7293	1.0082
Diluted earnings per share	*28*	1.7293	1.0082
Earnings before interest, tax, depreciation and amortization (EBITDA)	**36**	**252,084**	**170,209**

[1] See Note 2.3
The accompanying notes from an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Changes In Equity
For the year ended 31 January 2018

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

				Other comprehensive income not to be reclassified to profit or loss		Other comprehensive income to be reclassified to profit or loss		Retained earnings				
	Share capital	Legal reserves	Purchase of share of entities under common control	Remeasurements of defined benefit liability	Other reserves	Foreign currency translation reserve	Hedging reserve	Retained earnings	Net profit	Total	NCI	Total equity
Balance as at 1 February 2016	**49,657**	**14,819**	**(35,757)**	**(4,211)**	**(4,080)**	**6,855**	**--**	**34,889**	**33,453**	**95,625**	**--**	**95,625**
Transfers	--	2,608	--	--	--	--	--	30,845	(33,453)	--	--	--
Acquisition of subsidiary with NCI	--	--	--	--	--	--	--	(1)	--	(1)	(7,123)	(7,124)
Total comprehensive income	--	--	--	(250)	--	3,297	--	--	50,064	53,111	(1,112)	51,999
Total balance as at 31 January 2017	**49,657**	**17,427**	**(35,757)**	**(4,461)**	**(4,080)**	**10,152**	**--**	**65,733**	**50,064**	**148,735**	**(8,235)**	**140,500**
Balance as at 1 February 2017	**49,657**	**17,427**	**(35,757)**	**(4,461)**	**(4,080)**	**10,152**	**--**	**65,733**	**50,064**	**148,735**	**(8,235)**	**140,500**
Impact of correction of errors [1]						(30)				(30)		(30)
Restated balance as at 1 February 2017	**49,657**	**17,427**	**(35,757)**	**(4,461)**	**(4,080)**	**10,122**	**--**	**65,733**	**50,064**	**148,705**	**(8,235)**	**140,470**
Profit									85,871	85,871	4,131	90,002
Other comprehensive income				(684)		15,188	656			15,160	1,549	16,709
Total comprehensive income	**-**	**-**	**-**	**(684)**	**-**	**15,188**	**656**	**-**	**85,871**	**101,031**	**5,680**	**106,711**
Acquisition of subsidiary with NCI (Note 4)					4,080			(4,080)				
Transfers								50,064	(50,064)			
Total balance as at 31 January 2018	**49,657**	**17,427**	**(35,757)**	**(5,145)**	**--**	**25,310**	**656**	**111,717**	**85,871**	**249,736**	**(2,555)**	**247,181**

[1]See Note 2.3
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 Statement of Cash Flow
As at and for the year ended 31 January 2018

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

		Audited	Restated[1]
Cash flow from operating activities	**Notes**	**31 January 2018**	**31 January 2017**
Net profit for the year		**90,002**	**51,813**
Depreciation and amortization expense	24	61,893	46,529
Finance income		(1,024)	(707)
Finance cost		68,981	49,583
Provision for unused vacation	14	865	874
Provision for employee severance indemnity	15	3,611	2,409
Fair value change of derivatives		7,329	(7,336)
Impairment loss on receivables		(292)	832
Inventory obsolescence, reversals	9	(4,018)	(5,772)
Impairment loss on goodwill	13	--	19
Loss on disposal of property and equipment, net		871	149
Tax expense		22,239	16,647
Unrealized currency translation difference		8,639	16,481
		259,096	**171,521**
Changes in:			
Change in trade receivables		(7,491)	(17,239)
Change in inventory		(29,117)	(79,695)
Change in prepaid expenses		(3,008)	(3,847)
Change in receivables from related parties		4,059	(2,329)
Change in other receivables		(3,663)	(9,049)
Change in other current and non-current assets		2,421	(810)
Change in employee benefits liabilities		3,232	(376)
Change in trade payables		53,008	13,006
Change in payables to related parties		13,941	62,664
Change in deferred revenue		3,103	1,365
Change in other payables		(32)	6,952
Change in short term and long term provisions		(1,063)	664
Change in other liabilities		(3,866)	4,366
		290,620	**147,193**
Employee benefits paid	14-15	(3,661)	(3,180)
Income tax paid	28	(19,009)	(16,109)
Net cash from operating activities		**267,950**	**127,904**
Cash flows from investing activities			
Acquisition of tangible assets	12	(69,250)	(54,739)
Proceeds from sale of tangible assets		--	289
Acquisition of intangible assets	13,14	(3,517)	(7,831)
Acquisition of subsidiary, net of cash acquired	6	(58,366)	(16,229)
Proceeds from sale of intangible assets		--	7
Interest received	25	1,024	710
Net cash flow used in investing activities		**(130,109)**	**(77,793)**
Proceeds from loans and borrowings		92,227	407,587
Proceeds of settlement of derivatives		235	2,943
Repayment of loans and borrowings		(53,267)	(367,545)
Other financial payments	26	(37,951)	(30,480)
Interest paid		(31,443)	(18,589)
Net cash flow used in financing activities		**(30,199)**	**(6,084)**
Net increase in cash and cash equivalent		**107,642**	**44,027**
Cash and cash equivalents at the beginning of the year	4	**154,832**	**110,805**
Cash and cash equivalents at the end of the year	4	**262,474**	**154,832**

[1]See Note 2.3
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 and for the year ended 31 January 2018

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

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 2018

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

1 Reporting entity

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

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

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

With the appropriate permission from Borsa İstanbul A.Ş.("BIST"), shares equal to TL 27,311 representing 55% of nominal shares of the Company's TL 49,657 was offered to public on 15 June 2017. As a result of the offering, main shareholder from Company's partnership structure Blue International Holding B.V.'s shares decreased to 45% from 100%. The primary shareholder of the Company as at 31 January 2018 is Blue International Holding B.V. ("Blue International") with 27.41% ownership (31 January 2017 Blue International with 100% ownership).

The consolidated financial statements as at 31 January 2018 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 2018 and 2017 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding %	
			31 January 2018	31 January 2017
Mavi Europe	Germany	Wholesale and retail sales of apparel	100.00	87.50
Mavi Nederland	Netherland	Wholesale sales of apparel	100.00	100.00
Mavi Russia	Russia	Wholesale and retail sales of apparel	100.00	100.00
Mavi Kazakhstan[2]	Kazakhstan	Retail sales of apparel	100.00	100.00
Eflatun Giyim	Turkey	Holding company	51.00	51.00
Mavi Canada[1]	Canada	Wholesale and retail sales of apparel	38.25	38.25
Mavi USA	USA	Wholesale and retail sales of apparel	51.00	51.00

[1] The group holds %51 percent voting right in Mavi Canada.

[2] As of 31 January 2018, Mavi Kazakhstan does no longer proceed any operations.

As of 31 January 2018, Group's total number of employees is 3,605 (31 January 2017: 3,340).

2. Basis of presentation of financial statements

2.1 Basis of accounting

(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 14 March 2018. General Assembly has 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 and contingent payment for the acquisition of Eflatun shares which are measured at fair value. The methods used to measure fair values are discussed further in Note 2.2 (t).

The Group measures the estimated exercise price of the financial liability originating from put options granted to non-controlling interests as the present value of estimated option redemption amount. Present value of the estimated option redemption amount is based on the estimated fair value of equity for the Mavi Europe subject to the put option. The methods which are used for calculating fair value is indicated at Note 2.2 (t).

(c) Functional and presentation currency

The Company maintains its books of account and prepares its statutory financial statements in Turkish 43 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")
Mavi Kazakhstan	Kazakhstan Tenge ("KZT")
Eflatun Giyim	TL
Mavi USA	US Dollars ("USD")
Mavi Canada	Canada Dollars ("CAD")

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

2. Basis of presentation of financial statements (continued)

2.1 Basis of accounting (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 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 and equipment and intangibles: Useful lives.
- Note 12 and 13 Impairment of intangible assets including goodwill: Key assumptions, underlying recoverable amounts.
- Note 15 Provision for employee termination benefits: Key actuarial assumptions.
- Note 14 Provisions for sales returns: Estimation of return, provision for upcoming months using the historical data.
- Note 33 Trade receivables: Allowance for doubtful receivables.

2.2 Summary of significant accounting policies

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

(a) Basis of consolidation

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, Mavi Europe and Mavi Kazakhstan 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 and for the year ended 31 January 2018

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

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

i) 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 the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognized in profit, or loss immediately.

Any contingent consideration is measured at fair value at the date of acquisition. Subsequent changes in the fair value of the contingent consideration are recognized in the profit or loss except the new information is obtained about facts and circumstances that existed as of the acquisition date accounted on goodwill. The identifiable assets and liabilities, the consideration transferred and the resulting goodwill may change during the measurement period.

ii) 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.

iii) 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.

iv) Transactions eliminated on consolidation

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

v) 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.

(b) Foreign currency

i) Foreign currency transactions

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

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 2018

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

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(b) Foreign currency (continued)

i) Foreign currency transactions (continued)

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

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.

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, CAD or KZT 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 2018	31 January 2017
TL / EUR	4.6824	4.0983
TL / USD	3.7795	3.8324
TL / RUB	0.0667	0.0635
TL / KZT	0.0119	0.0106
TL / CAD	3.0578	2.9111

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 2018

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

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(b) Foreign currency (continued)

ii) Foreign operations (continued)

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

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
TL / EUR	4.5884	3.9591
TL / USD	3.7680	3.7348
TL / RUB	0.0661	0.0629
TL / KZT	0.0112	0.0089
TL / CAD	3.0228	2.8192

(c) Financial instruments

i) Non-derivative financial assets and financial liabilities - Recognition and derecognition

The Group initially recognises loans, receivables and bank deposits on the date when they are originated. All other financial assets and liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, or cancelled, or expired. Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

ii) Non-derivative financial assets - measurement

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group management of its short-term commitments. Cash and cash equivalents comprise cash, bank deposits and cash equivalents.

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 2018

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

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

iii) Non-derivative financial liabilities - measurement

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group has the following other financial liabilities: loans and borrowings, bank overdrafts, trade payables and due to related parties.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

iv) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss. The Group's derivative financial instrument consists of foreign exchange forward transactions.

(d) Share capital

i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as deduction from equity, net of any tax effects.

ii) Recognition and measurement

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

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

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.

iii) 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.

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 2018

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

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(e) Property and equipment

i) 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:

- Vehicles (5) years
- Furniture and fixtures (3 – 15) years
- 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.

(f) Intangible assets and goodwill

i) Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets recognised in a business combination

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

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, customer relationship and 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:

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

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

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 2018
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)
2 Basis of presentation of financial statements (continued)
2.2 Summary of significant accounting policies (continued)

(g) 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.

(h) Impairment

i) Non-derivative financial assets

A financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is any objective evidence of impairment that it is impaired. A financial asset is impaired if any objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Financial assets measured at amortised cost

The Group considers evidence of impairment for receivables at individual asset level. All individually significant receivables are assessed for specific impairment. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic benefit and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit, or loss.

ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(h) Impairment (continued)

ii) Non-financial assets (continued)

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 exceed 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.

(i) 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 due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. Such payments are calculated on the basis of 30 days' pay, limited to a maximum of TL 5,002 at 31 January 2018 (31 January 2017: TL 4,426) per year of employment at the rate of pay applicable at the date of retirement or termination. Employee benefits represent the present value of the estimated future probable obligation of the Company arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. Severance payment provisions are not subject to legal funding.

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 average wages of two unemployed months from the Group company.

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2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(i) Employee benefits (continued)

i) Long term employee benefits (continued)

Provision for employee termination benefits (continued)

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 employees, as of 31 January 2018, and 2017 basic assumptions are presented as follows:

	31 January 2018	31 January 2017
	%	%
Discount rate	3.74	5.19
Inflation rate	7.00	6.00

The actuarial gains/losses are recognised under other comprehensive income.

The Group has not recorded any reserve for employee severance payments for its employees in foreign subsidiaries 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. Group are 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.

(j) 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.

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(k) 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:

i. has control or joint control of the reporting entity;
ii. has significant influence over the reporting entity; or
iii. 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:

i. 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).
ii. 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).
ii. Both entities are joint ventures of the same third party.
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the vi. reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled or jointly controlled by a person identified in (a).
vii. 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).
viii. 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.

(l) Revenue

i) Sale of goods

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. E-Commerce 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.

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2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(l) Revenue (continued)

i) Sale of goods (continued)

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.

(m) 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.

(n) Leasing transactions

i) Leased assets

A lease of property, plant and equipment that transfers to the Group substantially all of the risks and rewards of ownership is classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

ii) Operating leases

Assets held under other leases are classified as operating leases and are not recognised in the Group's consolidated statement of financial position.

iii) Lease payments

Payments made under operating leases are recognised in the consolidated profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Deferred lease inducements represents inducements provided by the landlord for leasehold improvements. The amortization of deferred lease inducements is recorded as a reduction of rent expense over the term of the lease.

(o) Research and development

The Group has a separate department which operates to research and develop new fabric and design. The department produces sample products which involves new designs for new season collections. The Group recognises related personnel expenses and sample production costs under research and development expenses.

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(p) 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 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.

(r) 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. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit,
- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future,
- taxable temporary differences related to initial recognition of goodwill.

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. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(r) Tax (continued)

ii) Deferred tax (continued)

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 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.

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.

(s) Government grants

The Group obtains government incentives under the Turquality program from Turkish Republic Ministry of Economy. The Group is initially recongnises 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.

(t) Measurement of fair values

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

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.

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2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(t) Measurement of fair values (continued)

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.

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. 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.

(u) Determination of fair values

i)Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. This fair value is determined for disclosure purposes or when acquired in a business combination.

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, plant 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 excess earnings methods and replacement cost approach.

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2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(v) Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date but earlier application is permitted; however the Group consolidated has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". It also carries forward the guidance on recognition, classification, measurement and derecogniton of financial instruments from IAS 39 to IFRS 9. The last version of IFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of IFRS 9. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

IFRS 15 Revenue from Contracts with customers

The new standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

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

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of consolidated financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

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2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

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

IFRIC 23 –Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to the outdated short-term exemptions for first-time adopters are removed within the context of 'Annual Improvements to IFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

IAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRS

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity

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2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

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

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 28- Long-term interests in Associates and Joint Ventures

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Amendments to IFRS 9 - Prepayment features with negative compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

2.3 Restatements

On 12 August 2016, Mavi Giyim acquired the shares and controlling interest of 51% in Eflatun, which has 100% and 75% shareholding interest in Mavi US and Mavi Canada, respectively.

On 31 August 2016, the Group recognized TL 25,371 as contingent consideration liability, which was USD 8,587 at the date of acquisition, in addition to acquisition amount. As a result of the quotation of the Company shares in stock Exchange on 15 June 2017, the ultimate shareholders of the Company changed and the exit occurred. The market price of the Company determined by the market participants ended up with a result that the Company should pay additional price to Eflatun Giyim shareholders.

Thus, the contingent consideration liability has increased to USD 17,165 from USD 8,587. The Group has determined that the market participants has valued the Group relying on the same information, facts and circumstances which were used by the Company management at the time of the acquisition date.

Group's accounting policies require remeasurement of goodwill if the fair value of the contingent consideration liability would change as a result of differences coming from newly-acquired information regarding the existed events and conditions at the date of acquisition.

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2 Basis of presentation of financial statements (continued)

2.3 Restatements (continued)

Reassessment performed in accordance with this accounting policy, goodwill and other payables to related parties are increased by TL 32,841 and TL 32,872, respectively and foreign currency translation reserves decreased by TL 30 in the consolidated financial statements as at 31 January 2017.

3 Operating segments

	1 February 2017- 31 January 2018			1 February 2016- 31 January 2017		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Segment revenue [1]	**1,453,145**	**328,511**	**1,781,656**	**1,121,183**	**186,751**	**1,307,934**
-Retail	1,132,652	49,820	1,182,472	856,737	33,733	890,470
-Wholesale	297,855	262,809	560,664	248,676	146,939	395,615
-E-commerce	22,638	15,882	38,520	15,770	6,079	21,849
Segment profit before tax	**101,796**	**10,445**	**112,241**	**63,017**	**5,444**	**68,461**

	31 January 2018			31 January 2017		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Total segment assets	**969,900**	**105,343**	**1,075,243**	**699,875**	**226,935**	**926,810**
Total segment liabilities	**711,002**	**117,060**	**828,062**	**572,556**	**213,784**	**786,340**

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.

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4 Cash and cash equivalents

As at 31 January 2018 and 2017 cash and cash equivalents comprises the following:

	31 January 2018	31 January 2017
Cash on hand	1,243	1,403
Cash at banks	153,898	61,529
Demand deposits	*37,972*	*18,265*
Time deposits	*115,926*	*43,264*
Other cash and cash equivalents	111,139	95,124
Cash and cash equivalents in the statement of consolidated financial statement	**266,280**	**158,056**
Bank overdrafts	(3,806)	(3,224)
Cash and cash equivalents in the statement of consolidated cash flows	**262,474**	**154,832**

As at 31 January 2018 and 2017, other cash and cash equivalents consist of credit card receivables with maturities less than 3 months.
As at 31 January 2018 and 2017, the details of time deposits based on maturity dates and interest rates of the Groups are as below:

	Maturity	Interest rate	31 January 2018
TL	1 February 2018	13.00%	61,203
USD	1 February 2018	1.00%-1.80%	30,112
EUR	1 February 2018	0.75%	24,611
			115,926

	Maturity	Interest rate	31 January 2017
TL	1 February 2017	6.75%	8,000
USD	1 February 2017	1.90%	22,744
EUR	1 February 2017	1.05%	12,520
			43,264

As at 31 January 2018 and 2017, 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 33.

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5 Loans and borrowings

As at 31 January 2018 and 2017, financial borrowings comprise the following:

	31 January 2018	31 January 2017
Current liabilities		
Unsecured bank loans	176,465	148,416
Secured bank loans	35	47
Current portion of unsecured bank loans	128,793	79,127
Bank overdraft (Note 4)	3,806	3,224
	309,099	**230,814**
Non-current liabilities		
Unsecured bank loans	68,736	105,209
	68,736	**105,209**

As at 31 January 2018 and 2017 loan and borrowings comprised the following:

	31 January 2018	31 January 2017
Bank loans	377,835	336,023
	377,835	**336,023**

As at 31 January 2018 and 2017 the repayments of loan agreements according to the original maturities comprised the following:

	31 January 2018	31 January 2017
Less than one year	309,099	230,814
One to two years	61,396	76,743
Two to three years	7,000	27,781
Three to four years	340	355
Four to five years	--	330
	377,835	**336,023**

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5 Loans and borrowings (continued)

As of 31 January 2018 and 2017 maturities and conditions of outstanding loans comprised the following:

	31 January 2018				
	Currency	**Nominal interest rate%**	**Maturity**	**Face value**	**Carrying amount**
Unsecured bank loans	EUR	0.00%-2.99%	2018-2019	36,247	36,541
Unsecured bank loans	TL	0.00%-18.13%	2018-2020	288,541	289,651
Unsecured bank loans	USD	4.05%-4.69%	2018-2021	50,763	51,126
Unsecured bank loans	CAD	3.45%	2018	482	482
Secured bank loans	CAD	0.00%	2020	35	35
				376,068	**377,835**

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 33.

	31 January 2017				
	Currency	**Nominal interest rate%**	**Maturity**	**Face value**	**Carrying amount**
Unsecured bank loans	EUR	0.75%-3.00%	2017-2019	102,150	103,079
Unsecured bank loans	TL	0.00%-15.23%	2017-2019	162,331	163,278
Unsecured bank loans	USD	3.20%-4.75%	2017-2021	69,315	69,619
Secured bank loans	CAD	0.00%	2020	47	47
				333,843	**336,023**

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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.

Ultimate controlling party of the Group is Akarlılar Family and indirectly holds 27.41% as at 31 January 2018 (31 January 2017: Turkish Private Equity Fund II: 54%).

(a) Related party balances

As at 31 January 2018 and 2017 short term receivables and payables from related parties comprised the following:

Due from related parties	**31 January 2018**	**31 January 2017**
Mavi LLC[1]	--	4,048
Erak Giyim Sanayi Ticaret A.Ş. ("Erak")	--	11
	--	**4,059**

[1] Due from Mavi LLC (registered in USA) is comprised of loan given which is interest rate is 4%. As at 31 January 2018, the loan was paid.

Prepayments given to related parties	**31 January 2018**	**31 January 2017**
Erak[1]	14,908	11,983
	14,908	**11,983**

[1] Advances given to Erak is related to fabric purchases and are tracked in prepayments. (Note 10)

	31 January 2018	**31 January 2017**
Due to related parties		
Erak[1]	111,841	93,186
Akay Lelmalabis Elgazhizah LLC ("Akay") [2]	10,579	14,978
Kitsch Apparel Inc. ("Kitsch Apparel") [3]	252	447
Erma Tekstil Dış Ticaret Kollektif Şirketi ("Erma")	--	129
	122,672	**108,740**

[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.
[3] Amounts due to Kitsch Apparel Inc., a shareholder company under control of Arkun Durmaz are non-interest bearing with no specific terms of repayment. The Group pays management fee to Kitsch Apparel based on 4% of Mavi Canada's revenue.

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6 Related party (continued)

(a) Related party balances (continued)

As at 31 January 2018 and 31 January 2017, other short term payables to related parties comprised the following:

	31 January 2018	31 January 2017
Other payables to related parties		
Eflatun Giyim shareholders[1]	7,420	66,119
Put option liability[2]	--	10,246
Total other payables to related parties	**7,420**	**76,365**
Short term other payables to related parties	**7,420**	**76,365**

[1]Payables to Eflatun Giyim shareholders mainly comprised of contingent payables due to the acquisition of Eflatun Giyim.
[2] The minority shareholders had a contingent consideration right of 12.5% for Mavi Germany shares discussed in Note 18.

(b) Related party transactions

For the years ended 31 January 2018 and 2017, the sales to related parties of the Group comprised the following:

	31 January 2018	31 January 2017
Sales to related parties		
Mavi USA [1]	--	425
Mavi Canada [1]	--	401
	--	**826**

(1) The Group acquired 51% of the shares and voting interests in Eflatun Giyim. As a result, the Group consolidated the results of Mavi USA and Mavi Canada as of the acquisition date. These transactions are related to the periods before acquisition.

For the years ended 31 January 2018 and 2017, the services given to related parties of the Group comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Services given to related parties		
Mavi LLC	34	112
Mavi ABD [1] [2]	--	735
Eflatun Giyim	--	6
Mavi Kanada[1] [2]	--	787
	34	**1,640**

[1] Service given to related parties mainly comprise of design and sourcing charges.
(2) The Group acquired 51% of the shares and voting interests in Eflatun Giyim. As a result, the Group obtained the control of the Mavi USA and Mavi Canada. These transactions are related to the periods before acquisition.

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6 Related party (continued)

(b) Related party transactions (continued)

For the years ended 31 January 2018 and 2017, purchases from related parties of the Group comprised the following:

	31 January 2018	31 January 2017
Purchase from related parties		
Erak	319,149	269,778
Akay	48,679	4,292
	367,828	**274,070**

For the years ended 31 January 2018 and 2017, the services from related parties of the Group comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Services from related parties		
Erak [1]	1,123	970
CM Objekt Heusenstamm GBR [2]	685	568
Mavi Jeans Holding Inc.[4]	553	244
Sylvia House Inc.[3]	537	174
Erma	3	40
	2,901	**1,996**

[1] The Group rented Çerkezköy and Bayrampaşa retail stores from Erak.
[2] Mavi Europe rented its office from CM Objekt Heusenstamm GBR.
[3] Mavi Canada rented its office in Yaletown, Vancouver from Sylvia House Inc.
[4] Mavi Canada rented its Office and warehouse from Mavi Jeans Holding Inc.

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

For the years ended 31 January, short term benefits provided to senior management and board of directors amounted to TL 32,160 (31 January 2017: TL 22,237).

For the years ended 31 January 2018 and 2017, the Group does not have any payables to any board of director or key management personnel of the Group.

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7 Trade receivables and payables

Short term trade receivables

As at 31 January 2018 and 31 January 2017, short term trade receivables are as follows:

	31 January 2018	31 January 2017
Trade receivables from third parties	112,996	105,322
Trade receivables from related parties	--	4,059
	112,996	**109,381**

As at 31 January 2018 and 31 January 2017, short term trade receivables from others are as follows:

	31 January 2018	31 January 2017
Trade receivables	102,414	96,272
Post-dated cheques	7,319	7,581
Endorsed cheques	3,263	1,398
Notes receivables	--	71
Doubtful receivables	12,762	14,037
Allowance for doubtful receivables (-)	(12,762)	(14,037)
	112,996	**105,322**

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.

Short term trade payables

As at 31 January 2018 and 31 January 2017, short term trade payables of the Group are as follows:

	31 January 2018	31 January 2017
Trade payables to third parties	243,783	190,775
Trade payables to related parties	122,672	108,740
	366,455	**299,515**

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7 Trade receivables and payables (continued)

Short term trade payables (continued)

As at 31 January 2018 and 31 January 2017, short term trade payables from others are as follows:

	31 January 2018	31 January 2017
Trade payables to third parties[1]	235,394	186,112
Expense accruals	8,389	4,663
	243,783	**190,775**

Trade payables comprises of the unpaid amounts of trade purchases and ongoing expenditures.

[1] Trade payables to third parties comprise factoring payables amounting TL 77,708 (31 January 2017: TL 81,385).

The Group's exposure to foreign currency and liquidity risk for short term trade payables are disclosed in Note 34.

8 Other receivables and payables

Other short term trade receivables

As at 31 January 2018 and 2017, short term other receivables of the Group are as follows:

	31 January 2018	31 January 2017
Other receivables from third parties	24,187	21,491
	24,187	**21,491**

As at 31 January 2018 and 2017, short term other receivables from third parties of the Group are as follows:

	31 January 2018	31 January 2017
Receivables from public institutions [1]	23,287	20,966
Deposits and guarantees given	--	393
Other short term receivables	900	132
	24,187	**21,491**

[1] Receivables from public institutions consist of the Group's receivables related to Turquality incentive program amounting to TL 4,969 (31 January 2017: TL 7,749) and value added tax receivables amounting to TL 17,064 (31 January 2017: TL 13,031).

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.

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8 Other receivables and payables (continued)

Other short term trade receivables (continued)

The Group's exposure to credit and foreign currency risk for short term other receivables are disclosed in Note 33.

Long term other receivables

As at 31 January 2018 and 2017, long term other receivables of the Group are as follows:

	31 January 2018	31 January 2017
Other receivables from third parties	2,981	2,014
	2,981	**2,014**

The Group's exposure to credit and foreign currency risk for long term other receivables are disclosed in Note 34.

Short term other receivables

As at 31 January 2018 and 2017, short term other payables of the Group are as follows:

	31 January 2018	31 January 2017
Other payables to related parties (Note 6)	7,420	76,365
Other payables to third parties	6,199	10,356
	13,619	**86,721**

As at 31 January 2018 and 2017, other payables to third parties of the Group are as follows:

	31 January 2018	31 January 2017
Taxes and duties payable	5,512	9,949
Other payables	687	407
	6,199	**10,356**

The Group's exposure to foreign currency and liquidity risk for other short term payables is disclosed in Note 33.

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9 Inventories

As at 31 January 2018 and 2017, inventories are as follows:

	31 January 2018	31 January 2017
Trade goods	319,373	292,268
Consignment trade goods	11,746	8,169
Goods in transit	4,688	6,252
Provision for impairment on inventory (-)	(15,456)	(18,845)
	320,351	**287,844**

As at 31 January 2018 there is no pledge on inventories (31 January 2017: nil).

As at 31 January 2018 and 2017, the provision for impairment on inventory is as follows:

	31 January 2018	31 January 2017
Opening balance	18,845	18,737
Acquisitions through business combinations	--	3,807
Provision for the year	10,553	4,040
Write-off	(14,571)	(9,812)
Effect of movements in exchange rates	629	2,073
Closing balance	**15,456**	**18,845**

As of the year ending on 31 January 2018, inventories of TL 10,553 (31 January 2017: TL 4,040) 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, during the year ended on 31 January 2018, inventories of TL 14,571 (31 January 2017; TL 9,812) were disposed and written off.

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10 Prepayments and deferred revenues

Prepayments

As at 31 January 2018 and 2017, the remaining balance of prepayments under current and non-current assets is as follows:

	31 January 2018	31 January 2017
Advances given[(1)]	16,807	13,455
Prepaid rent expenses	2,134	2,171
Prepaid advertising and marketing expenses	1,752	2,348
Prepaid insurance expenses	727	887
Prepaid stamp tax and duties expenses	568	329
Other prepaid expenses	1,476	1,266
Total prepaid expenses	**23,464**	**20,456**
Long term prepaid expenses	**106**	**68**
Short term prepaid expenses	**23,358**	**20,388**

[(1)]Advances given mainly comprise of advances given to producers and service providers including fabric advances given to Erak (Note 6).

Deferred revenue

As at 31 January 2018 and 2017, deferred revenue of the Group are as follows:

	31 January 2018	31 January 2017
Customer loyalty claims[(1)]	12,625	9,328
Salary protocol	1,568	1,422
Corporate sales [(2)]	889	1,219
Rent income[(3)]	125	135
Total deferred revenue	**15,207**	**12,104**
Short term deferred revenue	**14,566**	**11,985**
Long term deferred revenue	**641**	**119**

[(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.

[(3)] Rent income consists of rent support received from shopping malls.

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11 Property and equipment

The movement of property and equipment for the year ended 31 January 2018 and 31 January 2017 is as follows:

	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost					
1 February 2016 opening balance	**190**	**127,670**	**109,457**	**2,317**	**239,634**
Acquisitions through business combinations	139	955	1,022	--	2,116
Effect of movements in exchange rates	23	3,779	5,164	--	8,966
Additions	--	25,716	19,419	9,604	54,739
Disposals	(111)	(1,622)	(1,215)	--	(2,948)
Transfers[(1)]	--	6,783	4,346	(11,222)	(93)
31 January 2017 closing balance	**241**	**163,281**	**138,193**	**699**	**302,414**
1 February 2017 opening balance	**241**	**163,281**	**138,193**	**699**	**302,414**
Effect of movements in exchange rates	3	1,201	3,435	--	4,639
Additions	--	38,039	22,902	8,309	69,250
Disposals	--	(280)	(1,964)	--	(2,244)
Transfers[(1)]	--	5,610	3,348	(9,008)	(50)
31 January 2018 closing balance	**244**	**207,851**	**165,914**	**--**	**374,009**

[(1)] Transfers of TL 50 as at 31 January 2018, and TL 93 as at 31 January 2017 are related to transfers to intangible assets.

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11 Property and equipment (continued)

The movement of property and equipment for the year ended 31 January 2018 and 2017 is as follows:

	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Accumulated Depreciation					
1 February 2016 opening balance	**29**	**73,305**	**51,491**	**--**	**124,825**
Effect of movements in exchange rates	1	2,277	2,157	--	4,435
Depreciation for the year	63	20,542	18,479	--	39,084
Disposals	(22)	(1,615)	(872)	--	(2,509)
31 January 2017 closing balance	**71**	**94,509**	**71,255**	**--**	**165,835**
1 February 2017 opening balance	**71**	**94,509**	**71,255**	**--**	**165,835**
Effect of movements in exchange rates	--	917	1,842	--	2,759
Depreciation for the year	48	26,319	24,391	--	50,758
Disposals	--	(192)	(1,184)	--	(1,376)
31 January 2018 closing balance	**119**	**121,553**	**96,304**	**--**	**217,976**
31 January 2017 carrying amount	**170**	**68,772**	**66,938**	**699**	**136,579**
31 January 2018 carrying amount	**125**	**86,298**	**69,610**	**--**	**156,033**

For the year ended 31 January 2018, TL 4,331 (and for the year ended 31 January 2017: TL 3,328) of depreciation expenses are included under administrative expenses, TL 45,958 (31 January 2017: TL 35,296) under selling and marketing expenses and TL 469 (31 January 2017: TL 460) under research and development expenses.

As of 31 January 2018, there is no pledge on property and equipment (31 January 2017: nil).

As at 31 January 2018 the amount of insurance on property and equipment is TL 270,937 (31 January 2017: TL 256,459).

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12 Intangible assets

The movement of intangible assets as at 31 January 2018 and 2017 are as follows:

Cost	Licenses	Customer relationships	Brand	Total
1 February 2016 balance	**35,530**	**3,746**	**--**	**39,276**
Acquisitions through business combinations	301	32,319	--	32,620
Additions	6,714	--	923	7,637
Transfer from property and equipment	93	--	--	93
Effect of movements in exchange rates	739	8,007	--	8,746
Disposals	(12)	--	--	(12)
31 January 2017 balance	**43,365**	**44,072**	**923**	**88,360**
1 February 2017 balance	**43,365**	**44,072**	**923**	**88,360**
Additions	3,517	--	--	3,517
Transfer from property and equipment	--	--	--	--
Effect of movements in exchange rates	333	(1)	--	332
Transfers	50	--	--	50
Disposals	(7)	--	--	(7)
31 January 2018 balance	**47,258**	**44,071**	**923**	**92,252**

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12 Intangible assets (continued)

The movement of intangible assets as at 31 January 2018 and 2017 is as follows:

Amortisation	Licenses	Customer relationships	Brand	Total
1 February 2016 balance	**21,837**	**2,908**	**--**	**24,745**
Current year amortisation	5,803	1,602	40	7,445
Effect of movements in exchange rates	339	285	--	624
Disposals	(5)	--	--	(5)
31 January 2017 balance	**27,974**	**4,795**	**40**	**32,809**
1 February 2017 balance	**27,974**	**4,795**	**40**	**32,809**
Current year amortisation	6,909	4,140	86	11,135
Effect of movements in exchange rates	215	197	--	412
Disposals	(4)	--	--	(4)
31 January 2018 balance	**35,094**	**9,132**	**126**	**44,352**
Carrying amount				55.551
31 January 2017 balance	15,391	39,277	883	55,551
31 January 2018 balance	12,164	34,939	797	47,900

For the year ended 31 January 2018, TL 8,663 (31 January 2017: TL 5,492) of amortisation expenses are included under general administrative expenses and TL 2,472 (31 January 2017: TL 1,953) under selling and marketing expenses.

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13 Goodwill

The movement of goodwill as at 31 January 2018 and 2017 is as follows:

Cost	31 January 2018	31 January 2017
As of 1 February	**101,769**	**4,837**
Additions	--	194
Effect of movements in exchange rates	(773)	14,591
Acquisitions through business combinations (Note:4)	--	82,147
As of 31 January	**100,996**	**101,769**
Impairment loss		
As of 1 February	**(1,297)**	**(1,278)**
Impairment losses on goodwill	--	(19)
Effect of movements in exchange rates	--	--
As of 31 January	**(1,297)**	**(1,297)**
Carrying amount		
As of 31 January	**99,699**	**100,472**

Impairment losses on goodwill are included in expenses from other operating expenses under consolidated statement of comprehensive income.

Impairment test for cash generating units with allocated goodwill

Goodwill is allocated to cash generating units for impairment test purposes. As of 31 January 2018 and 2017, details of cash generating units related to goodwill are as follows. The carrying amount of goodwill allocated to each cash generating unit is as follows;

	31 January 2018	31 January 2017
Mavi America	86,762	87,976
Mavi Canada	9,204	8,763
Other	3,733	3,733
	99,699	**100,472**

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13 Goodwill (continued)

Impairment testing for CGUs containing goodwill

A valuation of the fair value of CGU of Mavi Europe, Mavi USA and Mavi Canada as three separate CGU's was performed by the Company management as of 31 January 2018 and 2017. The income approach (discounted cash flow method) is used to determine the fair value of CGUs of Mavi Europe, Mavi USA and Mavi Canada.

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 10.6%, 2.3%, 17.2% 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 10.1%, 2.0%, 9.6% 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 10.6%.

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 10.1%.

Terminal growth rate

Mavi USA and Mavi Canada has five years cash flows included in their discounted cash flow models. A long term growth rate into perpetuity has been determined as the lower nominal GDP rates for USA and Canada in which Mavi USA and Mavi Canada is based 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.

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13 Goodwill (continued)

Mavi USA operations

In percent	31 January 2018	31 Ocak 2017
Discount rate in USD	10.6%	9.6%
Terminal value growth rate	2.3%	2.3%
Budgeted EBITDA margin (at terminal value)	17.2%	15.6%

Mavi Canada operations

In percent	31 January 2018	31 Ocak 2017
Discount rate in CAD	10.1%	9.5%
Terminal value growth rate	2.0%	2.0%
Budgeted EBITDA margin (at terminal value)	9.6%	6.1%

14 Provisions, contingent assets and liabilities

Short term provisions

As at 31 January 2018 and 2017, short term provisions are as follows:

	31 January 2018	31 January 2017
Provision for employee benefits	2,359	2,159
Other short term provisions	7,408	8,471
	9,767	**10,630**

Short term provision for employee benefits consists of provision for vacation pay liability. For the years ended 31 January 2018 and 31 January 2017, the movement of provision for vacation liability is as follows:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
1 February balance	2,159	862
Effect of movements in exchange rates	61	226
Paid benefits	(726)	197
Current period provision	865	874
31 January balance	**2,359**	**2,159**

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

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14 Provisions, contingent assets and liabilities (continued)

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 2018 and 2017, the movement of other short term provisions is as follows:

	31 January 2018	31 January 2017
Return provision	4,728	4,817
Legal provision	1,585	1,892
Other provisions	1,095	1,762
	7,408	**8,471**

For the years ended 31 January 2018 and 2017, the movement of short term provision is as follows:

	Legal provision[1]	Return provisions	Other provisions	Total
1 February 2016 balance	**1,210**	**4,059**	**750**	**6,019**
Acquisitions through business combinations	--	1,571	216	1,787
Current year provision	577	930	804	2,311
Effect of movements in exchangerates	105	662	(8)	759
Provisions used during year	--	(991)	--	(991)
Provision cancellations	--	(1,414)	--	(1,414)
31 January 2017 balance	**1,892**	**4,817**	**1,762**	**8,471**
1 February 2017 balance	**1,892**	**4,817**	**1,762**	**8,471**
Current year provision	268	253	1,095	1,616
Effect of movements in exchange rates	--	275	83	358
Provisions used during year	--	(109)	(895)	(1,004)
Provision cancellations	(575)	(508)	(950)	(2,033)
31 January 2018 balance	**1,585**	**4,728**	**1,095**	**7,408**

[1] Legal provisions mainly comprise of labour lawsuits.

Long term provisions

For the years ended 31 January 2018 and 2017, the movement of long term provisions is as follows:

	31 January 2018	31 January 2017
Long term provisions for employee benefits	4,741	3,151
	4,741	**3,151**

Long term employee benefits consist of severance pay liabilities. The details of severance pay liability are disclosed in Note 15.

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15 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 5,002 at 31 January 2018 (31 January 2017: TL 4,426) 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 2018 and 2017, 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.

	31 January 2018	31 January 2017
Discount rate (%)	3.74	5.19
Estimated inflation (%)	7.00	6.00

All actuarial losses are recognized in other comprehensive income.

For the years ended 31 January 2018 and 2017 the movement of provision for severance pay liability is as follows:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Opening balance	3,151	2,977
Interest cost	276	223
Service cost	3,335	2,186
Paid benefits	(2,935)	(3,180)
Effect of movements in exchange rates	37	632
Actuarial difference	877	313
Ending balance	**4,741**	**3,151**

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16 Payables to employees

As at 31 January 2018 and 2017 payables to employees are as follows:

	31 January 2018	31 January 2017
Payables to personnel[1]	14,093	11,378
Social security premiums payable	3,988	3,471
	18,081	**14,849**

[1] Payables to personnel consist of the salary and wages to be paid in the following month.

17 Other asset and liabilities

Other current assets

As at 31 January 2018 and 2017, other current assets are as follows:

	31 January 2018	31 January 2017
Transferred value added tax ("VAT")	13,176	15,597
	13,176	**15,597**

Other current liabilities

As at 31 January 2018 and 2017, other current liabilities are as follows:

	31 January 2018	31 January 2017
Advances received[1]	5,320	9,238
VAT payable	559	508
	5,879	**9,746**

[1] Advance received comprise of advances received for products from corner stores.

18 Capital, reserves and other capital reserves

Paid-in capital

As at 31 January 2018 and 2017, paid capital is as follows:

	%	31 January 2018	%	31 January 2017
Blue International	27.41	13,608	100.00	49,657
Publicly held	72.59	36,049	--	--
	100.00	**49,657**	**100.00**	**49,657**

As of 31 January 2018 paid-in capital of the Company comprises 49,657,000 shares issued of TL 1 each (31 January 2017: 49,657,000 shares).

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18 Capital, reserves and other capital reserves (continued)

Paid-in capital (continued)

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.

-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:

- Changing the Company's field of operation, entering into new lines of business or abandoning existing lines of business.
- 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.
- Filings for bankruptcy, concordat, financial restructuring, adjournment of bankruptcy.
- Transfer of all or a substantial part of the Company's commercial enterprise.
- Changes to the privilige of Class A Shareholders to nominate Board Members, or to the structure of the Board of Directors.
- Changes to the meeting and resolution quorums of the Board of Directors and committees of the Company.
- 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 authomatically cease to be effective, without the possibility of being rejuvenated at a later date

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.

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 2018, the Company's legal reserves are amounting to TL 17,427 (31 January 2017: TL 17,427).

Dividends

As of 31 January 2018, the Group hasn't distributed dividends (2017: nil) from distributable 2018 consolidated net income.

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18 Capital, reserves and other capital reserves (continued)

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.

Other reserves

The difference between exercise price of put option and the carrying amount of the minority interests that are derecognized under other reserves by the Group. Subsequent changes to fair value of put option obligations are also recognized in profit or loss. As of 31 January 2018, other reserves presented under shareholders equity is nil (31 January 2017: TL 4,080).

19 Revenue

For the years ended 31 January 2018 and 2017, revenue comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Sales of goods	1,779,071	1,306,653
Service revenue[1]	2,585	1,195
Other	--	86
	1,781,656	**1,307,934**

[1] Service revenue mainly comprised royalty.

20 Cost of sales

For the years ended 31 January 2018 and 2017, cost of sales comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Cost of goods sold	875,313	640,915
	875,313	**640,915**

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21 Administrative expenses, selling and marketing expenses

For the years ended 31 January 2018 and 2017, administrative expenses comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Personnel expenses	58,871	44,049
Depreciation and amortization expenses (Note 11, 12)	12,994	8,820
Rent expenses	9,395	7,832
Office materials expenses	3,962	2,546
Consultancy expenses	3,827	3,159
Travel expenses	2,664	1,728
General office expenses	1,616	1,285
Other	6,988	7,251
	100,317	**76,670**

For the years ended 31 January 2018 and 2017, selling and marketing expenses comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Rent expenses	221,764	173,180
Personnel expenses	201,810	147,519
Depreciation and amortization expenses (Note 11, 12)	48,430	37,249
Advertising expenses	23,743	16,581
Outsourced logistics expenses	23,578	19,077
Freight-out expenses	14,435	9,150
Travel expenses	7,540	5,597
Other	52,742	39,983
	594,042	**448,336**

22 Research and development expenses

For the years ended 31 January 2018 and 2017, research and development expenses comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Personnel expenses	19,319	15,601
Travel expenses	1,152	844
Depreciation and amortization expenses (Note 11, 12)	469	460
Other	2,118	1,752
	23,058	**18,657**

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23 Other income and expense

For the years ended 31 January 2018 and 2017, other operating income comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Turquality income [1]	1,127	100
Salary protocol income	533	423
Damage compensation income [2]	420	1,149
Gain on sale of tangible assets	39	104
Other	425	148
	2,544	**1,924**

[1] Consists of income from Turquality incentive program.
[2] Income from insurance claims.

For the years ended 31 January 2018 and 2017, other expenses comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Expense related to store closings	907	363
Kazakhstan restructuring expenses[1]	--	728
Impairment losses on goodwill	--	19
Other	372	491
	1,279	**1,601**

[1]Expense related to closure of legally owned stores in Kazakhstan.

24 Expenses by nature

For the years ended 31 January 2018 and 2017, expenses by nature are as follows:

Depreciation and amortization expenses

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Selling and marketing expenses (Note 21)	48,430	37,249
Administrative expenses (Note 21)	12,994	8,820
Research and development expenses (Note 22)	469	460
	61,893	**46,529**

For the years ended 31 January 2018, TL 50,758 (31 January 2017: TL 39,084) of the depreciation and amortization expenses are resulting from tangible assets TL 11,135 (31 Ocak 2017: 7,445) are from intangible assets.

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24 Expenses by nature (continued)

Expenses related to personnel

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Selling and marketing expenses (Note 21)	201,810	147,519
Administrative expense (Note 21)	58,871	44,049
Research and development (Note 22)	19,319	15,601
	280,000	**207,169**

For the years ended 31 January 2018 and 2017, the details of expenses related to personnel are as follows:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Wages and salaries	165,342	124,893
Bonus expense	45,510	21,966
Social security premiums	29,379	29,662
Meal expenses	13,131	11,349
Overtime expenses	7,699	5,908
Employee termination benefit expenses (Note: 16)	5,386	2,409
Personnel travel expenses	4,637	4,156
Other	8,916	6,826
	280,000	**207,169**

25 Finance income

For the years ended 31 January 2018 and 2017, finance income comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Interest income on:		
Receivables and payables, net	2,039	691
Time deposits	1,024	707
	3,063	**1,398**
Foreign exchange gain	1,029	1,258
Changes in fair value of forward contracts	--	12,655
	4,092	**15,311**

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26 Finance costs

For the years ended 31 January 2018 and 2017, finance costs comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Interest expense on:		
Interest expenses on purchases	25,733	18,351
Financial liabilities measured at amortised cost	31,030	18,872
	56,763	**37,223**
Change in fair value of forward contracts	7,329	--
Credit card commission expenses	6,489	7,670
Foreign exchange loss	5,733	20,949
Import financing expenses	4,617	3,287
Change in fair value of contingent consideration	--	229
Other	1,111	1,173
	82,042	**70,531**

27 Income taxes

Corporate tax

In Turkey, corporate tax rate is 20% as of 31 December 2017 (2016: 20%). 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 20% (2016: 20%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2017. 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.

According to the law numbered 6824, which is Restructuring of Certain Receivables and Changes in Certain Laws and Legislative Decrees" and law numbered 193 which is Income Tax Law repealed article 121 which was published in the Official Gazette dated on March 8, 2017, tax discount which was newly regulated on tax consonant taxpayers started to implement since 01.January.2018. The Group will benefit from the upper limit of the tax allowance of 1.000.000 TL for 2017 Corporate Tax Expenditure.

As of 31 January 2018 and 2017 tax rates used in deferred tax calculation according to the tax laws of the countries except Turkey is as follows:

Country	31 January 2018	31 January 2017
Russia	20%	20%
Germany	29.72%	29.72%
Netherlands	20%	20%
America	34%	34%
Canada	26.3%	26.3%

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.

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27 Income taxes (continued)

Corporate tax (continued)

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, 50% of profit gained from sale of property, plant and equipment and 75% of profit gain from sale 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.

USA

The U.S. levies an income tax on a corporation's "taxable income". Taxable income equals a corporation's gross worldwide income less deductions allowed under the federal income tax law. Worldwide income includes income from a business, compensation for services, rent, royalties, dividends, gain from property transactions, and partnership income. In general, corporations are permitted to deduct ordinary and necessary business expenses that are incurred in the corporation's trade or business, depreciation on business property, and certain losses related to the business. Business-related expenses are only deductible if the U.S. income tax laws do not otherwise require the expenses to be capitalized.

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 29.72. 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 17.15%. Losses can be carried forward for offset against future taxable income indefinitely.

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27 Income taxes (continued)

Corporate tax (continued)

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 200,000 euros 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.

Canada

Canada's federal-provincial general corporate income tax rate is 26.3%. 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.

Transfer pricing

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007.

If the tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

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27 Income taxes (continued)

Tax Expense

For the years ended 31 January 2018 and 2017, tax expense recognized in profit loss comprised the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Current tax expense:		
Current year tax expense	(23,936)	(16,013)
Change in estimates related to prior years	--	489
	(23,936)	**(15,524)**
Deferred tax income		
Deferred tax (expense)/ income on temporary differences	1,697	(1,123)
Total tax expense	**(22,239)**	**(16,647)**

For the years ended 31 January 2018 and 2017, tax income recognized in other comprehensive income the following:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Tax income:		
Deferred taxes related to remeasurements of defined benefit liability	171	63
Tax expense:		
Foreign operations - foreign currency translation differences	(185)	--

For the years ended 31 January 2018 and 2017, the details of the current tax assets/liabilities is as follows:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Current year tax expense	23,926	15,524
Corporate taxes paid	(19,643)	(20,608)
Total prepaid taxes (taxes payable) on income, net	**4,293**	**(5,084)**
Current tax asset	(183)	(5,287)
Current tax liabilities	4,476	203

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27 Income taxes (continued)

Tax Expense (continued)

Reconciliation of effective tax rate

The reported taxation charge for the years ended 31 January 2018 and 2017 are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	%	1 February 2017 – 31 January 2018	%	1 February 2016 – 31 January 2017
Profit for the year		**90,002**		**51,813**
Total income tax expense		(22,239)		(16,647)
Profit before tax		112,241		68,460
Income tax using domestic tax rate	(20)	(22,448)	(20)	(13,692)
Effect of tax rates in foreign jurisdictions	(1.6)	(1,749)	(2.2)	(1,483)
Non-deductible expenses[1]	(1.7)	(1,858)	(3.4)	(2,321)
Tax exempt income	0.1	74	0.3	189
Changes in estimates related to prior years	--	--	0.7	489
Use of put option liability	(1.7)	(1,892)	--	--
Mavi America tax adjustment	3.5	3,913	--	--
Tax incentive	0.9	1,000	--	--
Recognition of tax effect on previously unrecognised tax losses	--	--	(0.5)	(337)
Other	0.6	714	0.7	508
Current tax expense		**(22,239)**		**(16,647)**

[1]For the year ending 31 January 2018 tax effect of non-deductible expenses mainly consists of inventory counting differences amounting to TL 1,201 (31 January 2017: Inventory counting differences: TL 1,027).

Unrecognized deferred tax asset

For the year ending 31 January 2018 the Group has not have tax losses for carried forward which no deferred tax asset was recognized (31 January 2017 46,059 TL expiry date 2017).

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27 Income taxes (continued)

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities for the years ended 31 January 2018 and 2017 are attributable to the items detailed in the table below:

	31 January 2018		
	Assets	**Liabilities**	**Net amount**
Property and equipment	18.458	(21.817)	(3.359)
Intangible assets	2.416	(13.357)	(10.941)
Inventories	5.868	--	5.868
Trade and other receivables	636	(1.792)	(1.156)
Derivative Instruments	--	(185)	(185)
Trade and other payables	5.778	(1.620)	4.158
Provisions	60	--	60
Employee benefits	316	--	316
Loans and borrowings	21.384	(21.307)	77
Tax losses carried forward	688	--	688
Other temporary differences	--	(148)	(148)
Total	**55.604**	**(60.226)**	**(4.622)**
Set-off tax	**(48.459)**	**48.459**	
	7.145	**(11.767)**	

	31 January 2017		
	Assets	**Liabilities**	**Net amount**
Property and equipment	12,463	(15,523)	(3,060)
Intangible assets	1,877	(14,673)	(12,796)
Inventories	3,709	(214)	3,495
Due from related parties	--	(69)	(69)
Trade and other receivables	2,316	(3,226)	(910)
Trade and other payables	1,985	(1,152)	833
Provisions	793	(111)	682
Employee benefits	636	(117)	519
Loans and borrowings	1,064	(1,006)	58
Tax losses carried forward	2,945	--	2,945
Put option liability	1,916	--	1,916
Other temporary differences	--	(265)	(265)
Total	**29,704**	**(36,356)**	**(6,652)**
Set-off tax	**(22,958)**	**22,958**	
	6,746	**(13,398)**	

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27 Income taxes (continued)

Recognized deferred tax assets and liabilities (continued)

Deferred tax assets and deferred tax liabilities are attributable to the items detailed in the table below:

	1 February 2017	Recognised in profit or loss	Recognised in comprehensive income and expense	Acquisitions of subsidiaries	Effect of movements in exchange rates	31 January 2018
Property and equipment	(3.060)	(299)	--	-	--	(3.359)
Intangible assets	(12.796)	1.855	--	-	--	(10.941)
Inventories	3.495	2.373	--	-	--	5.868
Due from related parties	(69)	69	--	-	--	-
Trade and other receivables	(910)	(246)	--	-	--	(1.156)
Derivative Instruments	--	--	(185)	--	--	(185)
Trade and other payables	833	3.325	--	-	--	4.158
Provisions	682	(622)	--	-	--	60
Employee benefits	519	(203)	171	-	(171)	316
Loans and borrowings	58	19	--	-	-	77
Tax losses carried forward	2.945	(2.257)	--	-	-	688
Put option liability	1.916	(1.916)	--	-	-	-
Other temporary differences	(265)	(401)	--	-	518	(148)
	(6.652)	**1.697**	**(14)**	**-**	**347**	**(4.622)**

	1 February 2016	Recognised in profit or loss	Recognised in comprehensive income and expense	Acquisitions of subsidiaries	Effect of movements in exchange rates	31 January 2017
Property and equipment	8,396	(10,826)	--	1	(631)	(3,060)
Intangible assets	(11,049)	10,854	--	(12,615)	14	(12,796)
Inventories	2,191	(83)	--	1,233	154	3,495
Due from related parties	(54)	(15)	--	--	--	(69)
Trade and other receivables	479	(1,563)	--	--	174	(910)
Trade and other payables	1,731	(926)	--	--	28	833
Provisions	550	96	--	--	36	682
Employee benefits	431	4	63	--	21	519
Loans and borrowings	60	(2)	--	--	--	58
Tax losses carried forward	827	353	--	2,347	(582)	2,945
Put option liability	1,481	435	--	--	--	1,916
Other temporary differences	(62)	550	--	(513)	(240)	(265)
	4,981	**(1,123)**	**63**	**(9,547)**	**(1,026)**	**(6,652)**

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28 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 2018 and 2017 is as follows:

	31 January 2018	31 January 2017
Net profit for the year attributable to owners of the Company	85,871	50,064
Weighted average number of ordinary shares (basic)	49,657	49,657
Earnings per ordinary share	**1.7293**	**1.0082**

29 Derivatives

As at 31 January 2018 and 2017, short term derivative assets are as follows:

	31 January 2018	31 January 2017
Forward exchange contracts used for hedge accounting	848	7,336
Other forward exchange contracts	(235)	--
	613	**7,336**

As of 31 January 2018, the Group has open forward exchange contracts used for hedging in amount of USD 4,549 thousand in equivalent of TL 17,193. Ineffective portion of forward contracts amounting to TL 628 has been recognized in profit or loss whereas effective portion amounting to TL 841 recognized in other comprehensive income. The Group has other open forward exchange contracts in amount of USD 3,102 thousand in equivalent of TL 11,725.

30 Operating leases

Leases as lessee

For the years ended 31 January 2018 and 2017, total minimum lease payments pursuant to leases are as follows:

	31 January 2018	31 January 2017
Less than one year	215,964	189,940
1-5 year	516,049	498,515
More than 5 years	70,285	90,655
	802,298	**779,110**

Group has leased retail stores and its head office through an operating lease.

Group has recognized expenses related to operating leases amounting to TL 231,159 (31 January 2017: TL 181,012) in the statement of profit or loss and other comprehensive income.

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31 Commitments

(a) Warranties, pledges and mortgages

As of 31 January 2018 and 2017, the Group's guarantee / pledge / mortgage ("GPM") position statement is as follows:

	31 January 2018					
	TL Equivalent	**TL**	**EUR**	**RUB**	**CAD**	**USD**
A. On behalf of its own legal personality of the total amount of GPMs	**79,391**	**5,082**	**12,446**	**--**	**--**	**4,217**
Guarantee	79,391	5,082	12,446	--	--	4,217
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	**1,059**	--	**15**	**14,241**	**12**	--
Guarantee	1,024	--	15	14,241	--	--
Pledge	--	--	--	--	--	--
Mortgage	35	--	--	--	12	--
C. Total amount of GPM given to conduct other 3rd parties to guarantee the debts.	--	--	--	--	--	--
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	**80,450**	**5,082**	**12,461**	**14,241**	**12**	**4,217**

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31 Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

	31 January 2017					
	TL Equivalent	**TL**	**EUR**	**RUB**	**CAD**	**USD**
A. On behalf of its own legal personality of the total amount of GPMs	**103,193**	**4,070**	**20,456**	**--**	**--**	**3,989**
Guarantee	103,193	4,070	20,456	--	--	3,989
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	**1,319**	**--**	**94**	**13,960**	**16**	**--**
Guarantee	1,319	--	94	13,960	--	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	16	--
C. Total amount of GPM given to conduct other 3rd parties to guarantee the debts.	**--**	**--**	**--**	**--**	**--**	**--**
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	**104,512**	**4,070**	**20,550**	**13,960**	**16**	**3,989**

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31 Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

As of 31 January 2018, ratio of CPM given by the Group to equity was 0% (31 January 2017: 0%).

As of 31 January 2018, letter of guarantees given to third parties for the amount of TL 30,269 are representing guarantees given to Eximbank for the purpose of importing goods (31 January 2017: TL 61,019).

The Group has purchase commitments related to inventory amounting to TL 313,697 as of 31 January 2018 (31 January 2017: TL 219,915).

(b)Guarantees received

As of 31 January 2018, Group has received letter of guarantees for the amount of TL 7,588 as in the form of security (31 January 2017: TL 6,354).

32 Financial instruments

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- 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.

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.

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32 Financial instruments (continued)

Credit risk (continued)

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 2018, the DDS limits of the Company is amounting TL 109,806 thousand (31 January 2017: 98,981 thousand). The Company also obtains guarantees from its customers as another means of securing its receivables.

Cash is placed in financial institutions, which are considered at time of deposits and POS 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. 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, RUB and KZT.

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 barrowings.

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.

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33 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:

	Receivables				Cash and cash equivalents[2]	Derivatives
	Trade receivables		Other receivables			
31 January 2018	Related party	Other	Related party	Other [1]		
The maximum exposure to credit risk as financial instruments (A+B+C+D)	**--**	**112,996**	--	**27,168**	**265,037**	**613**
- Portion of maximum risk covered by guarantees	--	--	--	--	--	--
A. Net book value of financial assets that are neither past due not impaired	--	107,442	--	27,168	265,037	613
B. Net book value of financial assets which are overdue, but not impaired	--	5,554	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	5,145	7,617	--	--	--	--
- Impairment (-)	(5,145)	(7,617)	--	--	--	--
-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	--	--	--	--	--	--

<u>31 January 2018</u>	Receivables	
	Trade receivables	Other receivables
Past due between 1-30 days	2,286	--
Past due between 1-3 months	2,531	--
Past due between 3-12 months	737	--
Total past due	**5,554**	**--**

[1] Other receivables from third parties excludes deposits and guarantees given.
[2] Cash and cash equivalents excludes cash on hand.

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

Credit risk (continued)

	Receivables				Cash and cash equivalents[2]	Derivatives
	Trade receivables		Other receivables			
31 January 2017	Related party	Other	Related party	Other [1]		
The maximum exposure to credit risk as financial instruments (A+B+C+D)	**4,059**	**105,322**	--	**21,098**	**156,653**	**7,336**
- Portion of maximum risk covered by guarantees	--	--	--	--	--	--
A. Net book value of financial assets that are neither past due not impaired	4,059	85,746	--	21,098	156,653	7,336
B. Net book value of financial assets which are overdue, but not impaired	--	19,576	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	5,217	8,820	--	--	--	--
- Impairment (-)	(5,217)	(8,820)	--	--	--	--
-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	--	--	--	--	--	--

<u>31 January 2017</u>	Receivables	
	Trade receivables	Other receivables
Past due between 1-30 days	12,463	--
Past due between 1-3 months	6,870	--
Past due between 3-12 months	243	--
Total past due	**19,576**	--

[1] Other receivables from third parties excludes deposits and guarantees given.
[2] Cash and cash equivalents excludes cash on hand.

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

Credit risk (continued)

Impairment

For the years ended 31 January 2018 and 2017, movement of the provision for doubtful receivables is as follows:

	1 February 2017 – 31 January 2018	1 February 2016 – 31 January 2017
Balance beginning	14,037	7,498
Acquisitions through business combinations	--	4,527
Current year provision	471	3,207
Allowances no longer required	(763)	(2,375)
Write-offs	(1,092)	--
Effect of movements in exchange rates	109	1,180
Balance ending	**12,762**	**14,037**

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 2018 and 2017, maturities of financial liabilities including estimated interest payments based on repayment schedules are included below:

31 January 2018	Note	Carrying amount	Contractual cash flow	3 month or less	3-12 months	1-5 year
Non derivative financial liabilities						
Bank loans	5	377,835	399,782	199,262	119,966	80,554
Trade payables to third parties	7	243,783	240,644	211,037	29,607	--
Trade payables to related parties	6	122,672	123,095	41,568	81,527	--
Other payables to related parties	6	7,420	7,420	7,420	--	--
Payables to employees	16	18,081	18,081	18,081	--	--
Total		**769,791**	**789,022**	**477,368**	**231,100**	**80,554**

31 January 2017	Note	Carrying amount	Contractual cash flow	3 month or less	3-12 months	1-5 year
Non derivative financial liabilities						
Bank loans	5	336,023	371,413	73,821	157,821	139,771
Trade payables to third parties	7	190,775	193,562	146,608	46,954	--
Trade payables to related parties	6	108,740	108,515	91,277	17,238	--
Other payables to related parties	6	76,365	76,365	76,365	--	--
Payables to employees	16	14,849	14,849	14,849	--	--
Total		**726,752**	**764,704**	**402,920**	**222,013**	**139,771**

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

Market risk

Currency risk

As of 31 January 2018, 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	6,327	1,095	--	2,188
2a. Monetary financial assets (including cash. banks)	56,148	8,177	5,374	80
2b. Non-monetary financial assets	--	--	--	--
3. Other	6,921	1,722	87	8
4. Current assets (1+2+3)	**69,396**	**10,994**	**5,461**	**2,276**
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)	**69,396**	**10,994**	**5,461**	**2,276**
10. Trade payables	78,646	20,692	78	75
11. Financial liabilities	31,600	3,127	4,114	517
12a. Monetary other liabilities	7,340	1,942	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	**117,586**	**25,761**	**4,192**	**592**
14. Trade payables	--	--	--	--
15. Financial liabilities	9,813	295	1,858	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**9,813**	**295**	**1,858**	**--**
18. Total liabilities (13+17)	**127,399**	**26,056**	**6,050**	**592**
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	**28,917**	**7,651**	--	**--**
19a. Hedged total asset	**28,917**	**7,651**	--	**--**
19b. Hedged total liabilities	--	--	--	--
20. Position of net foreign currency assets/liabilities (9-18+19)	**(29,086)**	**(7,411)**	**(589)**	**1,684**
21. Position of net foreign currency monetary assets/liabilities(IAS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(64,924)**	**(16,784)**	**(676)**	**1,676**

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

Market risk (continued)

Currency risk (continued)

As of 31 January 2017 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	5,730	1,124	--	1,426
2a. Monetary financial assets (including cash. banks)	36,219	6,090	3,143	--
2b. Non-monetary financial assets	--	--	--	--
3. Other	3,761	968	13	--
4. Current assets (1+2+3)	**45,710**	**8,182**	**3,156**	**1,426**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	111	16	12	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	**111**	**16**	**12**	**--**
9. Total assets (4+8)	**45,821**	**8,198**	**3,168**	**1,426**
10. Trade payables	80,290	20,977	(25)	--
11. Financial liabilities	47,187	65	11,453	--
12a. Monetary other liabilities	76,365	17,253	2,500	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	**203,842**	**38,295**	**13,928**	--
14. Trade payables	--	--	--	--
15. Financial liabilities	16,482	386	3,661	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**16,482**	**386**	**3,661**	--
18. Total liabilities (13+17)	**220,324**	**38,681**	**17,589**	--
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	**7,336**	**1,914**	-	--
19a. Hedged total asset	**7,336**	**1,914**	-	--
19b. Hedged total liabilities	--	--	--	--
20. Position of net foreign currency assets/liabilities (9-18+19)	**(167,167)**	**(28,569)**	**(14,421)**	**1,426**
21. Position of net foreign currency monetary assets/ liabilities(IAS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(178,264)**	**(31,451)**	**(14,434)**	**1,426**

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

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

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

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

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

Foreign Currency Sensitivity Analysis				
31 January 2018				
	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	(5,693)	5,693	(5,693)	5,693
2- Hedged portion of TL against USD risk(-)	1,173	(1,173)	2,893	(2,893)
3- Net effect of USD (1+2)	**(4,520)**	**4,520**	**(2,800)**	**2,800**
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(276)	276	(276)	276
5- Hedged portion of TL against EURO risk(-)				
6- Net effect of EURO (4+5)	**(276)**	**276**	**(276)**	**276**
10% change of other against TL				
7- Net other denominated asset/liability	168	(168)	168	(168)
8- Hedged portion of TL against other risk(-)				
9- Net effect of other (7+8)	**168**	**(168)**	**168**	**(168)**
Total (3+6+9)	**(4,628)**	**4,628**	**(2,908)**	**2,908**

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

Market risk (continued)

Currency risk (continued)

Foreign Currency Sensitivity Analysis				
31 January 2017				
	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	(11,683)	11,683	(11,683)	11,683
2- Hedged portion of TL against USD risk(-)	734	(734)	734	(734)
3- Net effect of USD (1+2)	**(10,949)**	**10,949**	**(10,949)**	**10,949**
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(5,910)	5,910	(5,910)	5,910
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
6- Net effect of EURO (4+5)	**(5,910)**	**5,910**	**(5,910)**	**5,910**
10% change of other against TL				
7- Net other denominated asset/liability	143	(143)	143	(143)
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	143	(143)	143	(143)
Total (3+6+9)	**(16,716)**	**16,716**	**(16,716)**	**16,716**

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

Market risk (continued)

Interest rate risk

Profile

The interest rate profile of the Group's interest-bearing financial instruments is:

	31 January 2018	31 January 2017
Fixed interest rate items		
Financial assets	115,926	43,264
Financial liabilities	(377,835)	(336,023)

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 2018 and 2017, net debt / equity ratios are as follows:

	31 January 2018	31 January 2017
Loans and borrowings	377,835	336,023
Cash and cash equivalents	(266,280)	(158,056)
Net financial liabilities	**111,555**	**177,967**
Equity	247,181	140,470
Net financial liabilities / equities rate	**0.45**	**1.27**

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34 Financial risk management

Fair values

31 January 2018	Carrying amount			Fair value			
Financial assets measured at fair value	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Forward exchange contracts	613	--	613	--	613	--	613
Financial assets not measured at fair value							
Trade receivables from third parties	112,996	--	112,996	--	--	--	--
Other receivables to third parties[1]	24,187	--	24,187	--	--	--	--
Cash and cash equivalents	266,280	--	266,280	--	--	--	--
Total	**404,076**	**--**	**404,076**	**--**	**613**	**--**	**613**

Financial liabilities not measured at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Other payables to related parties	--	(7,420)	(7,420)	--	--	--	--
Bank overdrafts	--	(3,806)	(3,806)	--	--	(3,806)	(3,806)
Bank loans	--	(374,029)	(374,029)	--	--	(379.689)	(379.689)
Trade payables to third parties	--	(243,783)	(243,783)	--	--	--	--
Other payables to third parties	--	(6,199)	(6,199)	--	--	--	--
Trade payables to related parties	--	(122,672)	(122,672)	--	--	--	--
Total	**--**	**(757,909)**	**(757,909)**	**--**	**--**	**(383.495)**	**(383.495)**

[1] Other receivables from third parties excludes deposits and guarantees given.

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34 Financial risk management (continued)

Fair values (continued)

31 January 2017	Carrying amount			Fair value			
Financial assets measured at fair value	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Forward exchange contracts	7,336	--	7,336	--	7,336	--	7,336
Financial assets not measured at fair value							
Trade receivables from third parties	105,322	--	105,322	--	--	--	--
Other receivables to third parties[1]	21,098	--	21,098	--	--	--	--
Receivables from related parties	4,059	--	4,059	--	--	--	--
Cash and cash equivalents	158,056	--	158,056	--	--	--	--
Total	**295,871**	**--**	**295,871**	**--**	**7,336**	**--**	**7,336**

Financial liabilities measured at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Other payables to related parties	--	(76,365)	(76,365)	--	--	(76,365)	(76,365)
Financial liabilities not measured at fair value							
Bank overdrafts	--	(3,224)	(3,224)	--	--	(3,224)	(3,224)
Bank loans	--	(332,799)	(332,799)	--	--	(332,799)	(332,799)
Trade payables to third parties	--	(190,775)	(190,775)	--	--	--	--
Other payables to third parties	--	(10,356)	(10,356)	--	--	--	--
Trade payables to related parties	--	(108,740)	(108,740)	--	--	--	--
Total	**--**	**(722,259)**	**(722,259)**	**--**	**--**	**(412,388)**	**(412,388)**

[1] Other receivables from third parties excludes deposits and guarantees given.

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34 Financial risk management (continued)

Fair value disclosures

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

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable	Intra-relationship between significant unobservable inputs and fair value measurement
Forward exchange contracts	Forward pricing: the fair value is determined using quoted forward Exchange rate and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.	Not applicable.
Financial instruments not measured at fair value			
Other financial liabilities [1]	Discounted cash flows: the valuation model considers the present value of expected payment, discounted using a risk-adjusted discounted rate.		

[1] Other financial liabilities include bank loans.

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35 Subsequent events

None.

36 Reconciliation of financial cash flows from financial activities

	31 January 2018
Balance beginning	**336,023**
Net cash flow	39,542
Unrealised foreign currency gain	2,682
Interest accural	(413)
Balance ending	**377,834**

37 EBIDTA reconciliation

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 2018 and 2017 are as follows:

	Note	31 January 2018	31 January 2017
Profit		90,002	51,813
Income tax expense	27	22,239	16,647
Profit before tax		**112,241**	**68,460**
Adjustment for:			
-Net finance costs		77,950	55,220
-Depreciation and amortisation	24	61,893	46,530
EBITDA		**252,083**	**170,210**

13

GENERAL ASSEMBLY

1. ORDINARY GENERAL ASSEMBLY AGENDA

**AGENDA OF THE ORDINARY GENERAL ASSEMBLY OF
MAVİ GİYİM SANAYİ VE TİCARET A.Ş. DATED 02 MAY 2018
FOR THE SPECIAL ACCOUNTING PERIOD OF
1 FEBRUARY 2017 – 31 JANUARY 2018**

1. Opening and Election of the Meeting's Chairperson,

2. Approval of the Board of Directors' proposal on the amendments to the Internal Directive On The Principles And Procedures Of Operation Of The Shareholders' General Assembly Of The Company,

3. Reading, discussion and approval of the Activity Report prepared by the Company's Board of Directors for the special accounting period of 1 February 2017 – 31 January 2018,

4. Reading of the Independent Audit Report Summary for the special accounting period of 1 February 2017– 31 January 2018,

5. Reading, discussion and approval of the Financial Statements relating to the special accounting period of 1 February 2017 – 31 January 2018,

6. Approval of the changes to the Board of Directors' members under Article 363 of the Turkish Commercial Code during the special accounting period of 1 February 2017 – 31 January 2018,

7. Release of the Board of Directors' members separately and individually from their liabilities in respect of their activities within the Company's special accounting period of 1 February 2017 – 31 January 2018,

8. Election of the Board of Directors' members and determination of their terms of office,

9. Submission of information to the shareholders as to the Remuneration Policy which sets forth principles applicable to the remuneration of the Board Members and the Executives in accordance with the Capital Markets Board's regulations and approval of the attendance fees paid to the Board of Directors' members in accordance with such Policy within the special accounting period of 1 February 2017 – 31 January 2018,

10. Determination of the fees and other rights of Board of Directors' Members such as attendance fees, bonuses and premiums,

11. Appointment of the auditor,

12. Approval of the Dividend Distribution Policy,

13. 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 2017 – 31 January 2018, the applicable dividend distribution ratios and the date of dividend distribution,
14. Approval of the Board of Directors' proposal to amend Article 4 of the Company's Articles of Association titled "Headquarters and Branches of the Company" and Article 6 titled "Capital and Shares",
15. Approval of the Donations and Aids Policy ,
16. Submission of information to the shareholders on the donations made by the Company within the special accounting period of 1 February 2017 – 31 January 2018 and submission of those donations to the approval of shareholders,
17. Determination of an upper limit for the donations to be made within the special accounting period of 1 February 2018 – 31 January 2019,
18. Submission of information to the shareholders on the securities, pledges, collaterals and mortgages granted to third parties within the special accounting period of 1 February 2017 – 31 January 2018 in accordance with the regulations of the Capital Markets Board and the revenues or benefits obtained in connection therewith,
19. Granting of permission under Articles 395 and 396 or the Turkish Commercial Code to the shareholders having management control, the Board Members, the executives and their relatives up to the third degree by blood or marriage and submission of information to the shareholders on the transactions conducted within this scope within the special accounting period of 1 February 2017 – 31 January 2018 in line with the Corporate Governance Communiqué of the Capital Markets Board,
20. Wishes and requests.

Annex: Draft Amendments To The Articles Of Association

ARTICLE 4

OLD VERSION	NEW VERSION
Article 4	**Article 4**
HEADQUARTERS AND BRANCHES OF THE COMPANY	**HEADQUARTERS AND BRANCHES OF THE COMPANY**
The headquarters of the Company is located at Sanayi Mahallesi, Eski Büyükdere Cad. No. 53, 34418, Kağıthane, İstanbul. In case of any change of address, the new address shall be registered with the Trade Registry, announced in the Turkish Trade Registry Gazette, and notified to the Ministry of Industry and Commerce and the Capital Markets Board. Any notifications served at such registered and announced address shall be considered to have been duly served on the Company.	The headquarters of the Company is located at **Sultan Selim Mahallesi**, Eski Büyükdere Cad. No. 53, 34418, Kağıthane, İstanbul. In case of any change of address, the new address shall be registered with the Trade Registry, announced in the Turkish Trade Registry Gazette, and notified to the Ministry of Industry and Commerce and the Capital Markets Board. Any notifications served at such registered and announced address shall be considered to have been duly served on the Company.
Upon the resolution of the Board of Directors, the Company may open branches and representative offices in Turkey and abroad in accordance with the provisions of the Turkish Commercial Code and other related legislation, in which case the Company shall duly register and announce the foregoing.	Upon the resolution of the Board of Directors, the Company may open branches and representative offices in Turkey and abroad in accordance with the provisions of the Turkish Commercial Code and other related legislation, in which case the Company shall duly register and announce the foregoing.

ARTICLE 6

OLD VERSION	NEW VERSION
Article 6	**Article 6**
CAPITAL AND SHARES	**CAPITAL AND SHARES**
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 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).	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).
This upper limit of registered capital allowed by the Capital Markets Board is valid for the years 2017 through 2021 (for 5 years). Even if the upper limit of registered capital is not yet reached at the end of 2021, for capital increase resolutions to be passed after 2021, the Board of Directors must be granted an authorization by the General Assembly for a new period not exceeding 5 years, provided that the permission of the Capital Markets Board is obtained. In case such authorization is not granted, capital increases may not be effected based on the resolution of the Board of Directors.	This upper limit of registered capital allowed by the Capital Markets Board is valid for the years 2017 through 2021 (for 5 years). Even if the upper limit of registered capital is not yet reached at the end of 2021, for capital increase resolutions to be passed after 2021, the Board of Directors must be granted an authorization by the General Assembly for a new period not exceeding 5 years, provided that the permission of the Capital Markets Board is obtained. In case such authorization is not granted, capital increases may not be effected based on the resolution of the Board of Directors.
The issued capital of the Company is TL 49.657.000.- (forty nine million six hundred and fifty seven thousand). This capital has been fully paid up, free from any simulation.	The issued capital of the Company is TL 49.657.000.- (forty nine million six hundred and fifty seven thousand). This capital has been fully paid up, free from any simulation.
The Company's capital of TL 49.657.000.- is divided into 22.345.650 Class A registered shares with a nominal value of TL 22.345.650.-, representing 45% of the issued share capital; and 27.311.350 Class B registered shares with a nominal value of TL.- 27.311.350, representing 55% of the issued share capital.	The Company's capital of TL 49.657.000.- is divided into **13.608.293** Class A registered shares with a nominal value of TL **13.608.293**.-, representing **27,41**% of the issued share capital; and **36.048.707** Class B registered shares with a nominal value of TL.- **36.048.707**, representing **72,59** % of the issued share capital.
The shares representing the issued share capital are monitored in book-entry form in accordance with the principles of dematerialization.	The shares representing the issued share capital are monitored in book-entry form in accordance with the principles of dematerialization.
The capital of the Company may be increased or decreased as necessary, pursuant to the provisions of the Turkish Commercial Code and the Capital Markets Legislation.	The capital of the Company may be increased or decreased as necessary, pursuant to the provisions of the Turkish Commercial Code and the Capital Markets Legislation.
Within the years 2017 through 2021 (until the end of 2021), the Board of Directors is authorized to pass resolutions to increase the issued capital as it may deem necessary from	Within the years 2017 through 2021 (until the end of 2021), the Board of Directors is authorized to pass resolutions to increase the issued capital as it may deem necessary from

time to time by issuing new shares up to the registered capital upper limit, restrict the rights of the existing shareholders to subscribe for new shares in capital increases, and to issue shares with premium or with values lower than their nominal value. The authority to restrict the right to subscribe for new shares may not be exercised in a manner to give rise to inequality among the shareholders.

Where any new shares are to be issued, unless the Board of Directors has resolved otherwise, the ratio of Class A registered shares in the issued capital shall be maintained the same.

In case of a transfer of any Class A shares to any person, the transferred Class A shares are transformed into Class B shares at the time the transfer is effected.

In order for the Class A shares to be traded at the stock exchange, first they must have been transformed into ClassB Shares. Upon the application by the holder of the Class A shares to the Central Registraton Agency (*Merkezi Kayıt Kuruluşu Anonim Şirketi*) for transforming them into shares eligible for being traded at the stock exchange, the shares that are covered by such notification are automatically transformed into Class B shares.

During capital increases, the bonus shares are distributed to the shares existing as at the date of the capital increase in question.

time to time by issuing new shares up to the registered capital upper limit, restrict the rights of the existing shareholders to subscribe for new shares in capital increases, and to issue shares with premium or with values lower than their nominal value. The authority to restrict the right to subscribe for new shares may not be exercised in a manner to give rise to inequality among the shareholders.

Where any new shares are to be issued, unless the Board of Directors has resolved otherwise, the ratio of Class A registered shares in the issued capital shall be maintained the same.

In case of a transfer of any Class A shares to any person, the transferred Class A shares are transformed into Class B shares at the time the transfer is effected.

In order for the Class A shares to be traded at the stock exchange, first they must have been transformed into ClassB Shares. Upon the application by the holder of the Class A shares to the Central Registraton Agency (*Merkezi Kayıt Kuruluşu Anonim Şirketi*) for transforming them into shares eligible for being traded at the stock exchange, the shares that are covered by such notification are automatically transformed into Class B shares.

During capital increases, the bonus shares are distributed to the shares existing as at the date of the capital increase in question.

2. DIVIDEND DISTRIBUTION POLICY

This is an English translation of the original document in Turkish for information purposes only. In the event of any discrepancy between this translation and the original Turkish document, the original Turkish document shall prevail. Mavi Giyim makes no warranties or representations about the accuracy or completeness of the English translation and assumes no liability for any errors, omissions or inaccuracies that may arise from use of this translation.

Article 1: Scope and Legal Basis

This dividend distribution policy sets forth the principles applicable to the dividend and advance dividend distributions to be made by Mavi Giyim Sanayi ve Ticaret A.Ş.'nin (the "Company") in accordance with its articles of association (the "Articles of Association") and the relevant regulations.

This policy has been prepared pursuant to the Capital Markets Law No. 6362 (the "CM Law"), the Turkish Commercial Code No. 6201 (the "TCC"), the "Dividend Distribution Communiqué No. II-19.1 (the "Dividend Distribution Communiqué"), the "Corporate Governance Communiqué No. II-17.1 and other relevant legislation.

Article 2: Purpose

The purpose of the dividend distribution policy is ensuring that a balanced and consistent policy is implemented pursuant to the applicable legislation in relation to the interests of the investors and the Company, informing the investors sufficiently and maintaining a transparent policy towards the investors.

Article 3: Principles of Dividend Distribution

The general assembly of the Company shall resolve on the distribution of dividends and the timing and manner of such distribution, upon the proposal of the Board of Directors.

To the extent the relevant regulations and the financial resources permit, and taking into account the long term strategies of the Company, the needs of the subsidiaries and affiliates, the investment and financing policies and the 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, the TCC, the CM Law, the Dividend Distribution Communiqué and the tax legislation. Dividends may be distributed in cash and/or shares without consideration and/or as a combination of both in certain ratios.

Dividends are distributed equally to all shares existing at the time of distribution pro rata to their respective ratios, regardless of the date of issuance and date of acquisition of such shares.

Payment of dividends may also be made in equal or differing instalments, provided that this is resolved upon during the general assembly meeting where the general assembly has resolved to make dividend distribution.

Unless the reserves that are to be set aside under the TCC or the Articles of Association or the dividends stipulated to be allocated to the shareholders pursuant to the Articles of Association or this dividend distribution policy are set aside, the Company may not resolve to set aside other reserves, carry the profits to the next year, distribute dividends to the holders of dividend shares, Board members, Company's employees, foundations and persons and entities other that the shareholders, nor may the Company distribute any dividends to such persons unless the distribution allocated to the shareholders is paid in cash.

The dividend distribution shall commence on the date determined by the general assembly, provided that the dividend distribution is initiated latest by the end of the accounting period during which the general assembly meeting resolving on such distribution was held.

The dividend distribution resolution passed by the general assembly in accordance with the Articles of Association may not be revoked unless permitted by the applicable law.

In the event that the Board of Directors proposes not to distribute dividends, the reasons for such proposal and the manner in which the retained profit is to be used shall be explained in the item of the agenda dealing with the dividend distribution, and the foregoing information shall be submitted to the shareholders during the general assembly.

Article 4: Principles of Advance Dividend Distribution

The general assembly of the Company may, in accordance with the provisions of the CM Law and other relevant legislation, resolve to distribute advance dividends to the shareholders. Relevant provisions of the applicable law shall be adhered to when calculating the amount of the advance dividends and distributing them.

The advance dividends shall be based on the profit indicated in the interim financial statements of the Company and distributed in cash. The advance dividends relating to a certain interim period may not be paid in instalments.

Advance dividends are distributed equally to all shares existing at the time of distribution pro rata to their respective ratios, regardless of the date of issuance and date of acquisition of such shares.

The advance dividends to be distributed may not exceed half of the amount that corresponds to the remainder of the net profit in the interim financial statements for the relevant period, after the deduction of the reserves that are required to be set aside under the TCC and the Articles of Association and the losses of the previous years.

The aggregate amount of the advance dividends to be distributed within an accounting period may not exceed the lower of:

a) Half of the net profit for the previous year; and

b) Resources which could be subject to profit distribution, other than the net profit in the financial statements for the relevant interim period.

In the event that more than one advance dividend distribution is made within the same accounting period, when calculating the advance dividends to be distributed in the following interim periods, the advance dividend payments made in the previous interim periods are deducted from the amount calculated.

Unless the advance dividend payments made in the previous accounting period are set-off, no additional advance dividend payments may be made or dividends may be distributed in the following accounting periods.

No advance dividend may be paid to persons other than the shareholders, and the advance dividends are paid without regard to the privileges held by the privileged shares.

Article 5 – Public Disclosure

The proposals of the Board of Directors relating the dividend distribution or the Board resolutions relating to the distribution of advance dividends are announced to the public in accordance with the relevant regulations, together 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 intended to be introduced, the Board resolution regarding such amendment is also announced to the public, together with the reasons for such amendment.

This policy shall be announced to the public on the Company's web site following the approval of the general assembly.

3. DIVIDEND DISTRIBUTION PROPOSAL FOR THE YEAR 2017

Mavi Board of Directors decided to propose the payment of 25.908.402 TL total gross amount of cash dividends resulting in 0,52 TL (52%) gross payment per 1 TL nominal value share to the approval of the shareholders at the Ordinary General Assembly.

According to the proposal, dividend payments will start on 29 May 2018.

4. DIVIDEND DISTRIBUTION TABLE

Mavi Giyim Sanayi ve Ticaret A.Ş. Profit Distribution Proposal for 2017 (TL)

1. Paid-in Capital 49.657.000,00

2. General legal reserves (as per statutory records) 9.931.400,00

Information concerning preferred shares, if, as per the company Articles of Association, there are any privileges for preferred shares in distribution of dividens:No

		As per Capital Markets Board	As per Statutory Records
3.	Profit for the period	112.241.000,00	112.794.878,18
4.	Taxes (-)	22.239.000,00	23.211.559,77
5.	Net Profit (=)	85.871.000,00	89.583.318,41
6.	Prior years' losses (-)	-	-
7.	Legal reserve fund (-)	-	-
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	85.871.000,00	89.583.318,41
	Dividend Advance Distributed (-)	-	-
	Dividend Advance Less Net Distributable Current Period Profit	85.871.000,00	89.583.318,41
9.	Grants made during the year (+)	539.643,00	
10.	Net distributable profit including grants	86.410.643,00	
11.	First category dividend to shareholders		
	-Cash	25.923.192,90	2.482.850,00
	-Shares	-	
	-Total	25.923.192,90	2.482. 50,00
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	-	23.440.342,90
16.	Legal reserve fund	2.344.034,29	2.344.034,29
17.	Status reserves	-	-
18.	Special reserves	-	-
19.	EXTRAORDINARY RESERVES	57.603.772,81	61.316.091,22
20.	Other sources planned for distribution	-	-
	-Prior years' income	-	-
	-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 2017

	GROUP	**TOTAL DIVIDEND AMOUNT**	
		CASH (TL)	**SHARES (TL)**
	A (*)	7.104.142,51	0,00
Gross	B (**)	18.819.050,39	0,00
	Total	**25.923.192,90**	**0,00**
	A (*)	6.393.728,26	0,00
Net	B (**)	15.996.192,83	0,00
	Total	**22.389.921,09**	**0,00**

* Group A shares representing 27,40% of the capital are owned by Blue International Holding B.V. resident in Netherlands and 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

I hereby declare that I am a candidate for independent board membership on 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 the Capital Markets Board ("CMB")'s Communique 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) 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 deemed to be resident in Turkey according to Income Tax Law No. 193 dated 31.12.1960,

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 of 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.

14.03.2018

Nevzat Aydın

I hereby declare that I am a candidate for independent board membership on 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 the Capital Markets Board ("CMB")'s Communique 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) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,

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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 of 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.

14.03.2018

Ahmet Ashaboğlu

KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

Opinion

We have audited the accompanying annual report of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (together will be referred as "the Group"), for the period 1 February 2017 to 31 January 2018.

In our opinion, the consolidated financial information included in the annual report and the analysis of the Board of Directors about the consolidated financial position of the Group are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Opinion on Complete Set of Consolidated Financial Statements

We have expressed an unmodified opinion on the complete set of consolidated financial statements of the Group for the period 1 February 2017 to 31 January 2018 on 14 March 2018.

Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code Numbered 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Group ("Regulation") published in the Official Journal dated 1 November 2006 and No. 26333, the Group management is responsible for the following regarding the annual report:

a) The Group management prepares its annual report within the first three months following the date of the statement of financial position and submits it to the general assembly.

b) The Group management prepares its annual report in such a way that it presents accurately, completely, directly, true and fairly the flow of annual operations and consolidated financial position of the Group. In this report, the financial position of the Group is assessed in accordance with the Group's consolidated financial statements. The annual report shall also clearly state the details about the Group's development and risks that might be encountered. The assessment of the board of directors on these matters is included in the report.

c) The annual report also includes:
- Significant events after the reporting period,
- The Group's research and development activities.
- Employee benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, cash and cash facilities, insurance and similar guarantees.

When preparing the annual report, the board of directors also consider the related regulations issued by the Ministry of Customs and Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the financial information included in the annual report and analysis of the Board of Directors in relation to the consolidated financial position of the Group are consistent with the audited consolidated financial statements of the Group and the information obtained during the audit and give a true and fair view and form a report that include this opinion in accordance with the TCC and the Regulation.

We conducted our audit in accordance with Standards on Auditing issued by POA. Those standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors for the consolidated financial position of the Group are consistent with the consolidated financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative

İsmail Önder Ünal, SMMM
Partner
10 April 2018
İstanbul, Turkey

DISCLAIMER

This Annual Report is prepared in accordance with the legal requirements to be presented to the Ordinary General Assembly, which will be held on Wednesday, May 02, 2018 at 10.00am, at Raffles Istanbul Hotel - Levazım Mahallesi, Koru Sokağı Zorlu Center, 34340 Beşiktaş/İstanbul.

This Report is prepared only to provide information to the shareholders, 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.