

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 successful 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

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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 June 2017, and this is set forth below. The Company's Dividend Distribution Policy, following the Ordinary General Assembly's approval, 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 informing investors 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 Tari	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. Ashabođlu	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. Ashabođlu	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. Ashabođlu	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. Ashabođlu, and to the Chairman of the Board of Directors, Ragip 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 Violating 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 Articles 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 Akarlılar 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.

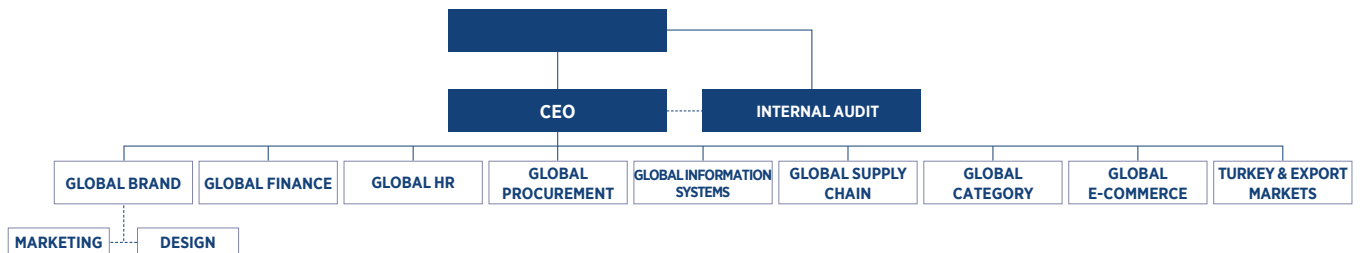
Tuba Yılmaz | CFO

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. Yılmaz 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' ASSESSMENTS

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 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