

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

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1- Corporate Information

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

i. About Mavi

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

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

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

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

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

ii. Capital Structure

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

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

	%	31.10.2022
Fatma Elif Akarlılar	9.06	9,000,000
Seyhan Akarlılar	9.06	9,000,000
Hayriye Fethiye Akarlılar	9.06	9,000,000
Blue International Holding B.V.	0.22	216,586
Public	72.60	72,097,414
	100.00	**99,314,000**

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

At the Ordinary General Assembly meeting for the special accounting period of February 1, 2021 – January 31, 2022 held on April 27, 2022, it was resolved to increase the Company's registered capital ceiling from 245,000,000.- TL to 500.000.000,- TL, determining the validity period of the registered capital ceiling as 2022-2026 and increasing the issued capital of the Company from 49,657,000.- TL to 99,314,000. TL by fully converting the amounts in the "Retained Earnings" account into share capital. The capital increase is in effect as of 16 May 2022.

iii. Direct and Indirect Subsidiaries

Direct and indirect subsidiaries of the Company as at October 31, 2022 are as follows;

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

iv. Structure and Composition of the Board of Directors

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

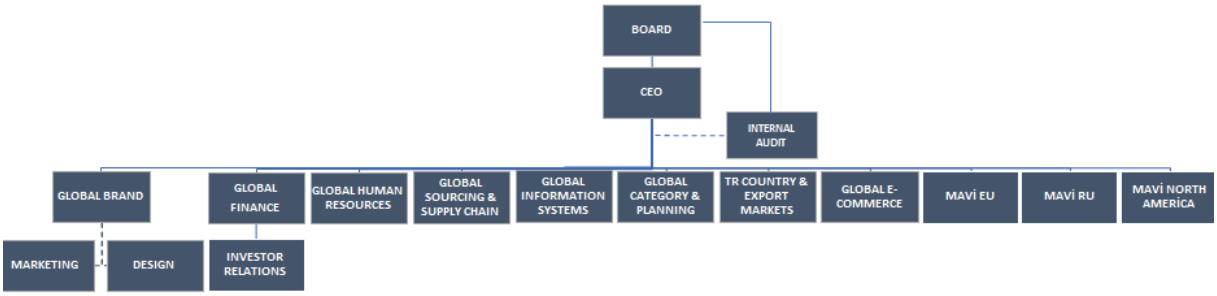
Director	Role	Executive/Independent
Ragıp Ersin Akarlılar	Chairman	Non-Executive
Ahmet F. Ashaboğlu	Vice Chairman	Independent
Fatma Elif Akarlılar	Member	Executive
Ahmet Cüneyt Yavuz	Member	Executive
Zeynep Yalım Uzun	Member	Independent
Nevzat Aydın	Member	Independent

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

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

v. Organization Structure and Management

As of October 31, 2022 Group's total number of employees is 5,644 (5,279 in Turkey, 365 in International offices) Following charts show the Company's organization structure and management team.



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

2 – Operational and Financial Information

i. Operational Developments

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

In the first nine months of 2022, Mavi opened five stores and closed three store in Turkey. Including 329 monobrand retail stores and 69 franchise stores in Turkey, 22 retail stores and 39 franchise stores internationally Mavi meets its customers in 459 mono-brand stores and more than 4.500 sales points globally.

In the first nine months of 2022, Turkey retail sales grew 146%. Considering the third quarter in which stores were mostly fully open in both years, same store sales grew 139.6%. Parellel to the traffic increase of 19%, number of transactions grew 19% and basket size grew 101% in Q3 2022.

In the reporting period, international sales grew 120% in TRY terms and 12% constant currency.

Online sales comprising of Mavi.com and marketplace channels recorded 71% growth in Turkey and 93% growth in the international markets in the nine months to October 31, 2022.

ii. Financial Developments

TRYm	9M 2021	9M 2022	Change (%)
Revenue	3,191	7,325	130%
Cost of Sales	(1,557)	(3,349)	115%
Gross Profit	1,634	3,976	143%
Gross Margin	51.2%	54.3%	
Profit	301	1,158	285%
Profit Margin	9.4%	15.8%	
EBITDA	750	1,860	148%
EBITDA Margin	23.5%	25.4%	

In the first nine months of 2022, total consolidated sales increased 130% year over year to 7 billion 325 million TRYm. Sales were realised with 54.3% gross margin, and 25.4% EBITDA margin.

In the reporting period, Turkey sales grew by 132% and international sales grew by 120% (12% in constant currency) compared to the same period last year. Global e-commerce sales grew by 86% and constituted 10% of total sales in the reporting period.

iii. Managements Discussion and Analysis

In the first nine months of 2022, strong brand strategy, dynamic product-price planning, newness and variety in response to high consumer demand resulted with high sell-through rates and lower markdowns. Meeting high consumer demand with the right product positioning in an inflationary pricing environment supported cost mitigation and resulted in 310 bps improvement in gross margins. All product categories grew in volume in Turkey. Continued investments on brand and customer, focusing on product newness and quality resulted in market share gains. Management continues to prioritize dynamic supply chain management, efficient product planning and inventory management, strong balance sheet and zero fx positions for continued future success.

3 – Market Information

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

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

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

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

In the "Fortune 500" survey, Mavi is ranked 147th among the largest 500 enterprises in Turkey, and 1st among apparel, underwear, and sportswear brands. Mavi is one again named "coolest Turkish brand" and "coolest jeans brand" in Turkey's Cool Brands Survey and 2nd eco-sensitive sustainable brand according to the "Sustainable Fashion" survey both done by Marketing Turkey. In 2021, its sustainable collection All Blue was named the Most Sustainable Collection at The Rivet Awards announced by Sourcing Journal. In 2022, Mavi was recognized "Best Sustainable Collection" title at the Rivet Awards for the 4th time with its Natural Dye Collection that was launched globally.

4 - Future Expectations

The company had announced its offical guidance for 2022 on the public disclosure platform on June 9, 2022 and revised its expectations along with the six months results as below. As of this report, the guidance is left unchanges.

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

5 - Other Developments

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

- In the Ordinary General Assembly Meeting held on 27 April 2027, it was resolved to approve the cash payment of gross 120,428,712.01 TRY in dividend distribution proposal of the Board of Directors prepared in accordance with Article 15 of the Company's Articles of Association and Dividend Distribution Policy and to start the dividend payments on 16 August 2022.

- At the Ordinary General Assembly Meeting held on April 27, 2022, it was resolved to increase the Company's registered capital ceiling from 245,000,000.- TRY to 500.000.000,- TRY, determine the validity period of the registered capital ceiling as 2022-2026 and increase the issued capital of the Company from 49,657,000.- TRY to 99,314,000. TRY by converting the amounts in the "Retained Earnings" account into share capital. The capital increase realised as of 16 May, 2022.

- Independent board members Ahmet F. Ashaboğlu and Nevzat Aydın has been appointed as members of the Audit Committee, chairman of the board Ragıp Ersin Akarlılar, independent board member Yonca Dervişoğlu and investor relations director Duygu Inceoz has been appointed as members of Corporate Governance Committee, chairman of the board Ragıp Ersin Akarlılar, independent board member Ahmet F. Ashaboğlu and CFO Bige İşcan Aksaray has been appointed as members of the Early Identification of Risks Committee.

- Independent Member of the Board of Directors Yonca Dervişoğlu resigned from her duty as the Board of Director Membership as of 30/05/2022. The Board of Directors, as per the recommendations of the Corporate Governance Committee and pursuant to Article 363 of the Turkish Commercial Code, appointed Zeynep Yalım Uzun to replace Yonca Dervişoğlu's vacant Independent Board Membership until the end of her predecessor's term of office, to be submitted to the approval of the first general assembly. Zeynep Yalım Uzun's CV was disclosed in the Public Disclosure Platform and the company website to the information of stakeholders.

- The Board of Directors appointed Independent Board of Directors Member Ms. Zeynep Yalım Uzun, to the position of Chairman of the Corporate Governance Committee.

- In acordance with the authorization given by article 7 of the Company's Articles of Association and within the framework of capital market legislation, on 12.09.2022 our Board of Directors have decided to issue debt instruments up to TRY 5,000,000,000 (Five Billion Turkish Liras) nominal value, with a maximum maturity of 5 years, in various terms, without public offering, via single or multiple sales to domestic qualified investors and/or

private placement methods, and that General Directorate has been authorized to determine the conditions including the date, amount, maturity, interest rate and sale method regarding the debt instruments to be issued, and that the CEO and CFO will be jointly authorized to represent the Company in order to carry out the necessary applications and all other transactions before, including but not limited to, the Capital Markets Board, Borsa İstanbul A.Ş. In this context, an application has been made to the Capital Markets Board. The CMB approved the application on 01.11.2022.

6 – Summary Financial Tables (Inc. IFRS 16)

Summary Balance Sheet

TRYm	31 January 2022	31 October 2022	Change (%)
Assets			
Current Assets			
Cash and Cash Equivalents	1,482	2,263	53%
Financial Investments	27	56	108%
Trade Receivables	394	897	127%
Inventories	751	1,823	143%
Other Current Assets	202	507	151%
Total Current Assets	**2,856**	**5,547**	**94%**
Property and Equipment	259	343	33%
Right of Use Assets	451	491	9%
Intangible Assets	474	652	38%
Other Non-Current Assets	56	229	311%
Total Non-Current Assets	**1,239**	**1,715**	**38%**
Total Assets	**4,095**	**7,262**	**77%**
Short-Term Financial Liabilities	891	1,015	14%
Short-Term Contractual Lease Liabilities	229	292	27%
Trade Payables	1,189	2,326	96%
Other Current Liabilities	262	660	152%
Total Current Liabilities	**2,570**	**4,293**	**67%**
Long-Term Financial Liabilities	-	170	n.m.
Long-Term Contractual Lease Liabilities	277	266	(4%)
Other non-current Liabilities	55	130	137%
Total Non-Current Liabilities	**332**	**566**	**71%**
Total Liabilities	**2,902**	**4,859**	**67%**
Total Equity	**1,193**	**2,403**	**101%**
Total Equity & Liabilities	**4,095**	**7,262**	**77%**

Summary P&L

TRYm	9M 2021	9M 2022	Change (%)
Revenue	3,191	7,325	130%
Cost of Sales	(1,557)	(3,349)	115%
Gross Profit	1,634	3,976	143%
Gross Margin	51.2%	54.3%	
Administrative Expenses	(181)	(467)	158%
Selling and Marketing Expenses	(941)	(1,967)	109%
R&D Expenses	(36)	(51)	44%
Other Income / (Expenses), net	29	66	130%
Operating Profit	505	1,557	208%
Profit/(Loss) from Investment Activities	(0)	11	n.m.
Operating Profit before Financial Income	505	1,568	210%
Operating Margin	15.8%	21.4%	
Financial Expenses, Net	(112)	(239)	114%
Profit Before Tax	393	1,329	238%
Income Tax Expense	(93)	(171)	85%
Profit	301	1,158	285%
Profit Margin	9.4%	15.8%	
EBITDA	750	1,860	148%
EBITDA Margin	23.5%	25.4%	

Summary Cash Flow Statement

TRYm	9M 2021	9M 2022
Profit[1]	301	1,158
Adjustments	546	1,013
Cash Flow from Operating Activities	**847**	**2,171**
Δ in Net Working Capital[2]	57	(513)
Income Tax Paid	(36)	(267)
Net Cash from Operating Activities	**869**	**1,391**
Capex	(95)	(192)
Other Investing Cash Flow[3]	56	137
Net Cash Flow Used in Investing Activities	**(39)**	**(55)**
Debt Issued / (Repaid)	(386)	163
Payment of Contractual Lease Liabilities	(184)	(296)
Other Financial Payments[4]	(97)	(205)
Dividends Paid	(30)	(120)
Interest Paid	(72)	(102)
Net Cash Flows Used in Financing Activities	**(769)**	**(560)**
Net Cash Flow	**61**	**776**
Cash and Cash Equivalents at the Beginning of the Period[5]	890	1,479
Cash and Cash Equivalents at the End of the Period[5]	951	2,255

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

Disclaimer on Market Data and Forward Looking Statements

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