MAVİ GİYİM SANAYİ VE TİCARET A.Ş.

BOARD OF DIRECTORS' REPORT ON CAPITAL REDUCTION

1. LEGAL BASIS

This Board of Directors' Report on Capital Reduction (the "**Report**") has been prepared by the Board of Directors of Mavi Giyim Sanayi ve Ticaret A.Ş. (the "**Company**" or "**Mavi**") pursuant to the final paragraph of Article 19, entitled "Cancellation and Disposal of Repurchased Shares", of the Capital Markets Board's ("**CMB**") Communiqué on Repurchased Shares No. II-22.1; Article 19(11)(c), entitled "Capital Reduction Not Requiring an Outflow of Funds", of the Communiqué on Shares No. VII-128.1; and Article 473(1) of the Turkish Commercial Code (the "**TCC**").

2. SCOPE

This Report sets out the reasons for the capital reduction, the purpose and benefits of such reduction, the assessment as to whether the reduction will result in any decrease or diminution in Mavi's assets, and the principles and procedures pursuant to which the capital reduction will be carried out.

3. FRAMEWORK OF THE CAPITAL REDUCTION

Within the scope of its share repurchase transactions, Mavi repurchased 14,512,000 Class B shares, with an aggregate nominal value of TRY 14,512,000, from Borsa Istanbul Equity Market, representing 1.83% of Mavi's issued share capital. Mavi carried out such repurchases at a weighted average price of TRY 39.62 per share and utilized funds amounting to TRY 575,005,862.28 for such repurchases.

Mavi intends to cancel all 14,512,000 Class B shares, with an aggregate nominal value of TRY 14,512,000 acquired through the share repurchase transactions, in accordance with the principles and procedures applicable to capital reductions not requiring an outflow of funds. Upon completion of the contemplated cancellation, Mavi's issued share capital of TRY 794,512,000 will be reduced by TRY 14,512,000 to TRY 780,000,000.

4. REASONS FOR AND BENEFITS OF THE CAPITAL REDUCTION

The cancellation of repurchased shares is a corporate governance practice widely adopted in international markets that promotes transparency, accountability and efficient capital management.

Following the reviews and assessments conducted by our Board of Directors, taking into account Mavi's objective of maintaining corporate governance standards in line with international standards, it has been concluded that:

(1) Mavi's strong cash position, continuing cash generation capacity and robust financial performance do not necessitate raising funds through the disposal of the repurchased shares;

(2) Having regard to Mavi's free float ratio and the trading volume of its shares in the equity market, no liquidity constraint has been observed and, accordingly, the disposal of the repurchased shares for the purpose of increasing liquidity in the equity market is not considered necessary;

(3) The disposal of the repurchased shares could exert downward pressure on Mavi's shares in the equity market and could adversely affect the supply-demand balance and/or price stability of Mavi's shares;

(4) Mavi regularly distributes dividends to its shareholders, and the cancellation of the repurchased shares through a capital reduction not requiring an outflow of funds will result in an increase in Mavi's earnings per share.

Accordingly, in light of all the foregoing reasons and benefits, it has been determined that the cancellation of the repurchased shares through a capital reduction not requiring an outflow of funds would be appropriate for the purpose of strengthening investor confidence.

As the contemplated capital reduction will constitute a capital reduction not requiring an outflow of funds, it will not result in any decrease or diminution in the Company's assets.

5. PROCEDURES FOR IMPLEMENTING THE CAPITAL REDUCTION

The repurchased shares will be cancelled through the CMB's capital reduction method not requiring an outflow of funds pursuant to the final paragraph of Article 19, entitled "Cancellation and Disposal of Repurchased Shares", of the Communiqué on Repurchased Shares No. II-22.1.

Pursuant to the CMB's Principle Decision No. i-SPK.22.1 (Decision No. 23/759 dated 24 July 2014), capital reductions not requiring an outflow of funds are subject solely to the provisions of paragraphs 6, 9, 10 and 11 of Article 19, entitled "Capital Reduction Not Requiring an Outflow of Funds", of the Communiqué on Shares No. VII-128.1. Our explanations in this respect are set out below:

(1) A capital reduction not requiring an outflow of funds may only be carried out by reducing the number of shares. Accordingly, the 14,512,000 Class B shares, with an aggregate nominal value of TRY 14,512,000, acquired by the Company through share repurchases will be cancelled as part of the capital reduction not requiring an outflow of funds.

(2) The Board of Directors of the Company is responsible for ensuring that the capital reduction procedures are duly completed in accordance with applicable procedures. Accordingly, the capital reduction procedures will be carried out in accordance with the explanations set out in this section, and our Board of Directors will be responsible for monitoring and overseeing the due completion of such procedures.

(3) Pursuant to the applicable regulations, Article 473(2) and Articles 474 and 475 of the TCC do not apply to capital reductions not requiring an outflow of funds. Accordingly, since the contemplated capital reduction will constitute a capital reduction not requiring an outflow of funds and will not result in any decrease or diminution in the Company's assets, the provisions of Articles 474 and 475 of the TCC regarding the invitation to creditors and the implementation of capital reduction resolutions will not apply. Furthermore, since the contemplated capital reduction will qualify as a capital reduction not requiring an outflow of funds, it will not be necessary to make the determination under Article 473(2) of the TCC as to whether the Company has sufficient assets to fully cover the claims of its creditors. In addition to the foregoing, the repurchased shares are recognised in a contra-equity account within shareholders' equity. Such contra-equity account will be closed upon registration of the capital reduction, and the capital reduction will have no impact on the Company's assets.

(4) The following procedures and principles will be applied in connection with the capital reduction not requiring an outflow of funds contemplated for the cancellation of the repurchased shares:

a) An application will be submitted to the CMB in order to obtain authorization for the capital reduction not requiring an outflow of funds and the CMB's approval of the proposed amendment to the article of Mavi's Articles of Association relating to its share capital.

b) Following receipt of the CMB's authorization and approval of the proposed amendment, an application will be submitted to the Ministry of Trade of the Republic of Türkiye in order to obtain approval of the proposed amendment.

c) Following receipt of the approval of the Ministry of Trade of the Republic of Türkiye, the capital reduction not requiring an outflow of funds, the amendment to the relevant article of the Articles of Association concerning the capital reduction, and this Report will be submitted to Mavi's General Assembly for approval. In this context, the Report will be announced to the shareholders on the date on which it is adopted by a resolution of the Board of Directors and, in any event, no later than the date on which the agenda of the General Assembly meeting is announced, and will be made available for inspection by our shareholders at the Company's registered office.

d) The amendment to the Articles of Association relating to the capital reduction and this Report must, as a rule, be resolved upon at a General Assembly meeting to be held within a maximum period of six months from the date of the CMB's approval of the amendment to the Articles of Association. If the amendment to the Articles of Association and this Report are not submitted to and approved by the General Assembly within such six-month period, the CMB's approval granted in respect of the proposed amendment will cease to be valid. In such event, a new application will be required to be submitted to the CMB in order for the amendment to the Articles of Association and this Report to be submitted to the General Assembly for approval.

e) Pursuant to the applicable regulations, any voting privileges, if any, may not be exercised in connection with the General Assembly resolution concerning the capital reduction. The shares representing the Company's share capital do not carry any voting privileges and, therefore, this provision will not have any practical application in respect of Mavi.

f) Pursuant to the applicable regulations, if a capital reduction infringes the rights of holders of privileged shares, the special assembly of privileged shareholders must also approve the amendment to the Articles of Association and the Board of Directors' report. The contemplated capital reduction not requiring an outflow of funds does not infringe the rights of the holders of Class A shares carrying the privilege to nominate candidates to the Company's Board of Directors. Accordingly, it will not be necessary to convene a special assembly of Class A shareholders or to obtain such assembly's approval of the amendment to the Articles of Association and this Report.

g) The meeting and decision quorums applicable to the General Assembly meeting at which the capital reduction will be resolved upon will be determined in accordance with Article 29(6) of the Capital Markets Law. Accordingly, at the General Assembly meeting at which the capital reduction not requiring an outflow of funds, the amendment to the relevant article of the Articles of Association concerning the capital reduction, and this Report are to be approved, no meeting quorum will be required and the affirmative votes of two-thirds of the shares carrying voting rights represented at the General Assembly meeting will be required. However, where shares representing at least one-half of the share capital and carrying voting rights are represented at the meeting, resolutions may be adopted by a majority of the voting shares represented at the meeting.

h) If the capital reduction not requiring an outflow of funds, the amendment to the relevant article of the Articles of Association concerning the capital reduction, and this Report are approved by the General Assembly, the relevant amendment and this Report will be registered with the trade registry and announced in the Turkish Trade Registry Gazette within fifteen days following the date of the General Assembly meeting.

6. CONCLUSION

Within the framework of the explanations set out above, in connection with the cancellation of the 14,512,000 Class B shares with an aggregate nominal value of TRY 14,512,000 acquired by Mavi through share repurchase transactions, and the corresponding reduction of Mavi's issued share capital by TRY 14,512,000, from TRY 794,512,000 to TRY 780,000,000, in accordance with the procedures applicable to capital reductions not requiring an outflow of funds pursuant to the final paragraph of Article 19 of the CMB's Communiqué on Repurchased Shares No. II-22.1, we hereby declare that:

(1) The contemplated capital reduction will not result in any decrease or diminution in the Company's assets, as it will constitute a capital reduction not requiring an outflow of funds;

(2) The contemplated capital reduction is intended to strengthen investor confidence as part of good corporate governance practices and, in this respect, is not contrary to the interests of Mavi or its shareholders; and

(3) This Report will be submitted to the shareholders for approval at the first General Assembly meeting to be held.