IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached offering circular is confidential and intended for you only and you agree you will not forward, reproduce or publish (in each case whether in whole or in part) this electronic transmission or the attached offering circular to any other person.

The offering circular is not an offer to sell the Offer Shares (as defined in the attached offering circular) and the company is not soliciting offers to buy the Offer Shares in any jurisdiction where such offer or sale is not permitted.

Confirmation of your representation: By accessing this offering circular, you have confirmed to the Managers, the Company and the Selling Shareholder (each as defined in the offering circular) that (i) you have understood and agree to the terms set out herein, (ii) (a) you and the electronic mail address you have given are not located in the United States, its territories and possessions or (b) you are a person that is a "qualified institutional buyer" ("**QIB**") within the meaning of Rule 144A under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), (iii) you consent to delivery by electronic transmission, (iv) you will not transmit the attached offering circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person, and (v) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to purchase Shares (as defined in the offering circular).

You are reminded that the attached offering circular has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering circular, electronically or otherwise, to any other person and in particular to any U.S. address. Failure to comply with this directive may result in a violation of the U.S. Securities Act or the applicable laws of other jurisdictions.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SHARES BEING SOLD HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB THAT IS ACQUIRING SUCH SHARES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT, IF AVAILABLE OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

Under no circumstances shall this offering circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Shares in any jurisdiction in which such offer, solicitation or sale would be unlawful.

This offering circular and the offer made pursuant thereto are addressed only to and directed only at persons in member states of the European Economic Area ("**EEA**"), who are "qualified investors" ("**Qualified Investors**") within the meaning of Article 2(1)(e) of the Prospectus Directive (2003/71/EC) (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant member state of the EEA) and any implementing measure in each relevant member state of the EEA (the "**Prospectus Directive**"). In addition, this offering circular may only be communicated, or caused to be communicated, to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000, as amended, does not apply and may be distributed only to, and is directed only at, qualified investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) who fall within Article 49(2)(a) to (d) of the Order and (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). In the United Kingdom, the attached offering circular is directed only at Relevant Persons. This offering circular must not be acted on or relied on (i) in the United Kingdom, by persons who are not Relevant Persons, and (ii) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors. The Shares are only available to, and any investment or investment activity to which this offering circular relates is available only to (i) in the United Kingdom, Relevant Persons, and (ii) in any member state of the EEA other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

This offering circular has been sent to you in electronic form. You are reminded that documents transmitted through this medium may be altered or changed during the process of electronic transmission and consequently none of the Managers, any person who controls any of the Managers or the Company, any director, officer, employee or agent of any of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version of the offering circular. By accessing the linked document, you consent to receiving it in electronic form.

You are reminded that this document has been made available to you solely on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed, and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

None of the Managers, or any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with the issuer or the offer. The Managers and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Managers or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this document.

The Managers are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the offer and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

You are responsible for protecting against viruses and other destructive items. Your receipt of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

mavi

OFFERING CIRCULAR **CONFIDENTIAL**

MAVİ GİYİM SANAYİ VE TİCARET A.Ş.

(incorporated in and operating under the laws of the Republic of Turkey)

27,311,350 Class B Shares

This offering circular contains information about the global offering of 23,749,000 existing Class B Shares of Mavi Giyim Sanayi ve Ticaret A.Ş., nominal value TL 1.00 per share, by the Selling Shareholder named herein. The global offering consists of (i) private placements of 70% of the Offer Shares outside the United States and Turkey to institutional investors in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933, as amended, and in the United States only to qualified institutional buyers as defined in, and in reliance on, Rule 144A under the U.S. Securities Act, and (ii) a public offering of 30% of the Offer Shares to retail and institutional investors in Turkey in reliance on Regulation S, in each case subject to the approval of the Capital Markets Board of Turkey. The allocation of Offer Shares between the International Offering and the Domestic Offering is subject to change in accordance with applicable Turkish regulations. We will not receive any proceeds from the sale of Offer Shares.

The Domestic Offering is being made pursuant to a separate Turkish language prospectus prepared in accordance with Turkish regulations. This offering circular pertains only to the International Offering. Prospective investors proposing to subscribe in the Domestic Offering should procure the domestic prospectus from authorized institutions in due course.

In addition, 3,562,350 additional Class B Shares will be sold by the Selling Shareholder on the closing date for the purpose of covering over-allotments.

The Selling Shareholder will make available gross proceeds from the Offering of up to 3,562,350 Class B Shares on the closing date to permit the Domestic Coordinator, as stabilization manager, after consultation with the International Managers, to effect transactions with a view to supporting the market price of the Class B Shares on Borsa Istanbul.

No public trading market currently exists for any of our securities. We have applied to list the Offer Shares on Borsa Istanbul under the symbol "MAVI." We expect trading in the Offer Shares on Borsa Istanbul is to commence on or about June 15, 2017. We have not applied, and have no current intention to apply, for the Offer Shares to be admitted to trading or dealt in on any other stock exchange.

Investing in Offer Shares is risky. Before making any investment decision with respect to the Offer Shares, you should read this entire document and, in particular, "Risk Factors."

Offer Price: TL 43.00 per Offer Share

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirement of the U.S. Securities Act. Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

The International Managers are offering the Offer Shares in the International Offering when, as and if delivered to and accepted by them, and subject to their right to reject orders in whole or in part. The International Managers and the Domestic Coordinator expect to deliver the Offer Shares by means of book entry registration with accounts maintained by the Central Registry Agency against payment in Istanbul, Turkey on the closing date, which is expected to be on or about June 14, 2017.

Global Coordinator and Joint International Bookrunner

Goldman Sachs International

Joint International Bookrunner

BofA Merrill Lynch

Domestic Coordinator and Domestic Bookrunner

İş Yatırım Menkul Değerler A.Ş.

The date of this offering circular is June 12, 2017.

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IMPORTANT INFORMATION

Certain Definitions

In this offering circular, unless the context otherwise requires,

- "**Additional Shares**" means the 3,562,350 Class B Shares that may be sold by the Selling Shareholder on the Closing Date for the purpose of covering over-allotments
- "**Borsa Istanbul**" means Borsa İstanbul A.Ş.
- "**Central Registry Agency**" means Merkezi Kayıt Kuruluşu A.Ş., the custody center for Borsa Istanbul
- "**Closing Date**" means the date on which the Managers deliver the Offer Shares purchased in the Offering against payment of the Offer Price for these Offer Shares; the Closing Date is expected to be on or about June 14, 2017
- "**CMB**" means the Capital Markets Board of Turkey (*T.C. Başbakanlık Sermaye Piyasası Kurulu*)
- "**Company**" means Mavi Giyim Sanayi ve Ticaret A.Ş., a joint stock company (*anonim şirket*) organized under the laws of Turkey, the issuer of the Offer Shares
- "**Domestic Coordinator**" and **"Domestic Bookrunner**" each mean İş Investment
- "**Domestic Offering**" means the public offering of Offer Shares to retail and institutional investors in Turkey
- "**Domestic Prospectus**" means the Turkish-language prospectus (*izahname*) that relates to the Domestic Offering
- "**Global Coordinator**" means Goldman Sachs International
- "**International Managers**" means the Global Coordinator and BofA Merrill Lynch
- "**International Offering**" means the private placements of Offer Shares outside Turkey
- "**İş Investment**" means İş Yatırım Menkul Değerler A.Ş.
- "**Managers**" means the International Managers together with the Domestic Coordinator
- "**Offer Price**" means the price per Offer Share indicated on the cover of this offering circular
- "**Offer Shares**" means the Class B Shares being offered in the Offering, including the Additional Shares
- "**Offering**" refers to the Domestic Offering and the International Offering
- "**Selling Shareholder**" means Blue International Holding B.V.
- "**Shares**" means the Class A Shares and Class B Shares of Mavi, each with a nominal value of TL 1.00, including the Offer Shares
- "**TPEF II**" means Turkish Private Equity Fund II L.P.

This Offering Circular

The Company is furnishing this offering circular in connection with an offering exempt from registration under the U.S. Securities Act of 1933 as amended (the "**U.S. Securities Act**") and applicable state securities laws in the United States solely for the purpose of enabling a prospective investor to consider the purchase of the Offer Shares offered hereby. Delivery of this offering circular to any other person or any reproduction of this offering circular, in whole or in part, without the consent of the Company and the International Managers is prohibited.

The International Offering is being made solely on the basis of this offering circular. Any decision to purchase Offer Shares in the International Offering must be based solely on the information contained in this offering circular. In making an investment decision, you should rely on your own examination, analysis and enquiry of us and the terms of the International Offering, including the merits and risks involved. Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, imply that there has been no change in our affairs or that the information set forth in this offering circular is correct as at any date subsequent to the date hereof. See "*Risk Factors*."

The Company accepts responsibility for the completeness and accuracy of the information contained in this offering circular. Having made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements, the Company confirms that:

- this offering circular contains all information with respect to Mavi that is material in the context of the International Offering and Offer Shares;
- the statements contained in this offering circular are true and accurate and not misleading;
- the opinions and intentions expressed in this offering circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; and
- there are no other facts in relation to Mavi, the International Offering or the Offer Shares the omission of which would, in the context of the International Offering, make any statement in this offering circular misleading in any material respect.

No person is or has been authorized to give any information or make any representation not contained in this offering circular in connection with the International Offering and, if given or made, such information or representation must not be relied upon as having been so authorized. No representation or warranty, express or implied, is made or given by or on behalf of the International Managers (or any of their respective parents or subsidiary undertakings or the subsidiary undertakings of any such parent undertakings or any of such person's directors, officers or employees) as to the accuracy, completeness or fairness of the information or opinions contained in this offering circular. Further, nothing contained in this offering circular is, or shall be relied upon as a promise or representation in this respect, whether as to the past or the future and no responsibility or liability is accepted by any such person for such information or opinions. Accordingly, neither of the International Managers assumes any responsibility for its accuracy, completeness or fairness and accordingly disclaims, to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, which it might otherwise be found to have in respect of this offering circular or any such statement.

Prospective investors acknowledge that (i) they have not relied on the International Managers, or any person affiliated with the International Managers, in connection with any investigation of the accuracy of any information contained in this offering circular or their investment decision; (ii) they have relied only on the information contained in this offering circular; and (iii) that no person has been authorized to give any information or to make any representation concerning Mavi or its subsidiaries or the Offer Shares (other than as contained in this offering circular) and, if given or made, any such other information or representation should not be relied upon as having been authorized by Mavi or the International Managers.

The Offering

The Domestic Prospectus for use in the Domestic Offering has been prepared in accordance with the relevant Turkish regulations and was approved by the CMB pursuant to the provisions of Capital Markets Law no. 6362 of the Republic of Turkey (the "**Capital Markets Law**") on June 5, 2017. Such approval does not constitute a guarantee or recommendation by the CMB, or any other public authority, with respect to the Offer Shares or us. Neither this offering circular nor any other offering material related to the International Offering may be used in connection with any general offering to the public within the Republic of Turkey without the prior approval of the CMB. Prospective investors proposing to subscribe for Offer Shares in the Domestic Offering should procure a copy of the Domestic Prospectus from an authorized institution or the Public Disclosure Platform in due course.

In connection with the International Offering, the International Managers, and any of their respective affiliates acting as investors for their own account, may take up the Offer Shares. In that capacity they may retain, purchase or sell for their own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the International Offering. Accordingly, references in this offering circular to the Offer Shares being offered or placed should be read as including any issue, offering or placement of such securities to any of the International Managers and any of their affiliates acting in such capacity. In addition, each of the International Managers or its affiliates may enter into financing arrangements and swaps with investors in connection with which that International Manager (or its affiliates) may from time to time acquire, hold or dispose of Offer Shares. The International Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The International Managers will be acting for us and no one else in connection with the International Offering and will not regard any other person (whether or not a recipient of this offering circular) as its client in relation to the International Offering. Each International Manager will be responsible to nobody other than us for providing the protections afforded to its clients or for providing advice in relation to the International Offering or any transaction or arrangement referred to in this offering circular.

NOTICES TO INVESTORS

Neither the Company nor the International Managers, nor any of their respective representatives, are making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Prospective investors should not construe anything in this offering circular as legal, business or tax advice. Each prospective investor should consult its own advisors as to the legal, tax, business, financial and related aspects of a purchase of Offer Shares needed to make its investment decision and to determine whether it is legally permitted to purchase the Offer Shares offered hereby under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

This offering circular does not constitute an offer to sell or a solicitation of an offer to purchase Offer Shares by any person in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The distribution of this offering circular and the International Offering or sale of the Offer Shares in certain jurisdictions is restricted by law. The Offer Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities law and regulations. Prospective investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. This offering circular may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorized or is unlawful. Accordingly, neither this offering circular nor any advertisement or any other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this offering circular may come are required by us and the International Managers to inform themselves about and to observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Further information with regard to restrictions on offers and sales of the Offer Shares and the distribution of this offering circular is set out under "*Plan of Distribution—Selling Restrictions*" and "*Transfer Restrictions*." Neither Mavi nor the International Managers are making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment therein by such offeree or purchaser.

Notice to Prospective Investors in the United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any State or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the U.S. Securities Act and in compliance with any applicable state securities laws. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933 ("**Regulation S**") and within the United States to qualified institutional buyers, or QIBs, as defined in and in reliance on Rule 144A under the U.S. Securities Act ("**Rule 144A**"). Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Offer Shares and the distribution of this offering circular, see "*Plan of Distribution—Selling Restrictions*" and "*Transfer Restrictions*."

Neither the U.S. Securities and Exchange Commission, any state securities commission nor any other regulatory authority has approved or disapproved the securities nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense in the United States.

Notice to Prospective Investors in the European Economic Area and the United Kingdom

This offering circular and the International Offering are only addressed to and directed at persons in member states of the European Economic Area ("**EEA**") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (2003/71/EC, as amended by Directive 2010/73/EU) (the "**Prospectus Directive**") ("**Qualified Investors**"). In addition, in the United Kingdom, this offering circular is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) who fall within Article 49(2)(a) to (d) of the Order; or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This offering circular must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons and who are also not Qualified Investors; and (ii) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors. The Offer Shares are only available to, and any investment or investment activity to which this offering circular relates is available only to (i) in the United Kingdom, relevant persons who are also Qualified Investors; and (ii) in any member state of the EEA other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

This offering circular has been prepared on the basis that all offers of the Offer Shares in the Offering will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA from the requirement to produce a prospectus for offers of Offer Shares. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares which are the subject of the Offering contemplated herein should only do so in circumstances in which no obligation arises for either Mavi or the International Managers to produce a prospectus for such offer. Neither Mavi nor the International Managers have authorized or do authorize the making of any offer of Offer Shares through any financial intermediary, other than offers made by the International Managers which constitute the final placement of Offer Shares contemplated herein.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") who receives any communication in respect of, or who acquires any Shares to whom any offer is made under the Offering, will be deemed to have represented, acknowledged and agreed that it is a Qualified Investor; and in the case of any Offer Shares acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Offer Shares acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, (i) persons in any Relevant Member State other than Qualified Investors or in circumstances in which the prior consent of the International Managers has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than Qualified Investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons. Mavi, the International Managers and their affiliates, and others will rely (and Mavi acknowledges that the International Managers and their affiliates and others will rely) upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. Notwithstanding the above, a person who is not a Qualified Investor and who has notified the International Managers of such fact in writing may, with the consent of the International Managers, be permitted to subscribe for or purchase Shares. The International Managers may rely on the truth and accuracy of the foregoing representations, acknowledgements and agreements and will not be responsible for any loss occasioned by such reliance. Recipients must not distribute, publish, reproduce or disclose this offering circular (in whole or in part) to any other person.

Any person making or intending to make any offer within the EEA of Offer Shares which are the subject of the Offering contemplated in this offering circular should only do so in circumstances in which no obligation arises for Mavi, any member of the Group or the International Managers to produce a prospectus for such offer. None of Mavi, any member of the Group or the International Managers have authorized or do authorize the making of any offer of Offer Shares through any financial intermediary, other than offers made by the International Managers which constitute the final placement of Offer Shares contemplated herein.

STABILIZATION

The Selling Shareholder has agreed to allocate the gross proceeds from the sale of up to 3,562,350 Class B Shares, amounting to 15% of the total gross proceeds of the Offering, (the "**Stabilization Funds**") to the Domestic Coordinator, as stabilization manager (the "**Stabilization Manager**"), to conduct price stabilization activities. The Stabilization Manager may, after consultation with the International Managers, use the

Stabilization Funds to effect transactions with a view to supporting the market price of the Shares on Borsa Istanbul at levels higher than those which might otherwise prevail for a limited period after the Offer Price is announced.

In accordance with the regulations of the CMB, stabilizing activities may be carried on for a maximum period of 30 days following the first trading date (the "**Stabilization Period**") and may be effected only on Borsa Istanbul. Orders can be given only to stop a decline in the share price, may not be given at prices above the Offer Price and must otherwise comply with the regulations of the CMB and Borsa Istanbul. Such transactions must be brought to an end at the expiry of the Stabilization Period or, if earlier, once the Stabilization Funds have been fully utilized.

No representation is made as to the magnitude or effect of any such stabilizing or other transactions and any such activities or transactions would not constitute a guarantee of any share price. The Stabilization Manager is not obliged to engage in stabilization activities and may, upon notice of this on the Public Disclosure Platform (*Kamuyu Aydınlatma Platformu*; the "**Public Disclosure Platform**"), discontinue any of these activities at any time. Any stabilization action must be conducted by the Stabilization Manager (or persons acting on behalf of the Stabilization Manager) in accordance with all applicable laws and rules. See "*Plan of Distribution—Stabilization*."

FORWARD-LOOKING STATEMENTS

This offering circular contains "forward-looking statements" that relate to, without limitation, our plans, objectives, goals, strategies, future operational performance, and expected developments in the fashion and retail clothing markets and the performance of the Turkish and global economies. Forward-looking statements are characterized by words such as "anticipate," "estimate," "believe," "intend," "plan," "predict," "may," "will," "would," "should," "continue," "expect" and similar expressions, but these expressions are not the exclusive means of identifying such statements.

Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause circumstances or our actual results, performance or achievements to be materially different from any future circumstances, results, performance or achievements expressed or implied by such statements. Such forward-looking statements are inherently uncertain and are based on numerous assumptions about factors including:

- our ability to successfully implement our growth strategy in various sales channels and manage our investment plans;
- our ability to satisfy different consumer tastes and to respond to changing spending patterns and fashion trends in a competitive environment;
- our ability to effectively manage our inventory in our directly operated mono-brand stores;
- our ability to maintain our directly operated mono-brand store portfolio and lease agreements on terms acceptable to us;
- our ability to effectively manage the supply chain and retain sufficient suppliers and manufacturers that will meet our production needs and requirements;
- our ability to maintain good relationships with our customers, franchisees, licensees and distributors and our ability to facilitate collection of receivables;
- our ability to mitigate currency risks;
- our ability to mitigate the effects of Turkish and international economic and political events; and
- our ability to comply with changes in laws, regulations or governmental policies to which our business is subject.

This list of important factors is not exhaustive. When relying on forward-looking statements, which may be found in "*Summary*," "*Risk Factors*," "*Business*," "*Management's Discussion and Analysis of Results of Operations and Financial Condition,*" "*Related Party Transactions*" and elsewhere in this offering circular, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as at the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the expected results described in such forward-looking statements will be achieved. Such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

The forward-looking statements contained in this offering circular are based on the beliefs of our management, as well as the assumptions made by and information currently available to our management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct. Given these uncertainties, you should not place undue reliance on forward-looking statements. Cautionary statements in this offering circular, including in this sub-section and, in particular, in the section entitled "*Risk Factors*", describe important factors that could cause actual results to differ materially from our expectations. In addition, under no circumstances should the inclusion of forward-looking statements in this offering circular be regarded as a representation or warranty by us or the International Managers, or by any other person, that we will achieve the results described in those statements or that the assumptions underlying the statement will prove correct. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected.

All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements. Subject to the requirements of the CMB and Borsa Istanbul or as required by applicable law, we do not intend, and we do not assume any obligation, to update any forward-looking statement contained in this offering circular.

AVAILABLE INFORMATION

For so long as any of the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted Offer Shares, or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the U.S. Securities Act to facilitate resales of the Offer Shares pursuant to Rule 144A.

NO INCORPORATION OF WEBSITES

Neither the contents of any Mavi website nor those of any other website form a part of this offering circular.

ENFORCEABILITY OF CIVIL JUDGMENTS

Mavi is a joint stock company organized under the laws of Turkey. All of our directors, are resident in Turkey, and a substantial majority of our assets are located, outside the United States and the United Kingdom, principally in Turkey.

The courts of Turkey will not enforce a judgment obtained in a court established in a country other than Turkey unless:

- there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments;
- there is *de facto* enforcement in such country of judgments rendered by Turkish courts; or
- there is a provision in the laws of such country that provides for the enforcement of judgments of the Turkish courts.

There is no treaty between the United States and Turkey or between the United Kingdom and Turkey providing for reciprocal enforcement of judgments. There is no *de facto* reciprocity between the United States and Turkey. Moreover, there is uncertainty as to the ability of a shareholder to bring an original action in Turkey based on U.S. federal or non-Turkish securities laws.

Turkish courts have rendered at least one judgment in the past confirming *de facto* reciprocity between the United Kingdom and Turkey. However, since *de* facto reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by Turkish courts.

In addition, the Turkish courts will not enforce any judgment obtained in a court established in a country other than Turkey if:

- the defendant was not duly summoned or represented;
- the defendant's fundamental procedural rights were not observed and the defendant brings an objection before the Turkish court against the request for enforcement on either of these grounds;
- the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the Turkish courts;
- the judgment is incompatible with a judgment of a Turkish court between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey;
- the judgment is not of a civil nature;
- the judgment is clearly against public policy rules of Turkey;
- the court rendering the judgment did not have jurisdiction to render such judgment;
- the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered; or
- the judgment was rendered by a foreign court which treated itself as competent even though it had no actual relationship with the parties or the subject matter at hand and the defendant brings an objection before the Turkish court against the request for enforcement on this ground.

Furthermore, to be enforceable under the laws of Turkey, the choice of laws of a foreign jurisdiction or submission to the jurisdiction of the courts of such a foreign jurisdiction should indicate the competent courts with sufficient precision. Therefore, lack of precision while determining the competent court of a foreign jurisdiction may render the choice of foreign court unenforceable.

As a result, it may not be possible to:

- effect service of process outside Turkey upon any of the directors and executive officers named in this offering circular; or
- enforce, in Turkey, court judgments obtained in courts of jurisdictions other than Turkey against us or any of the directors and executive officers named in this offering circular in any action.

In addition, it may be difficult or impossible to enforce, in original actions brought in courts in jurisdictions located outside the United States, liabilities predicated upon securities laws of the United States.

CERTAIN DEFINITIONS OF TERMS RELATING TO MAVI AND ITS BUSINESS

In this offering circular, unless the context otherwise requires,

- "**Akarlılar Family**" means Seyhan Akarlılar, Fatma Elif Akarlılar and Hayriye Fethiye Akarlılar collectively
- "**Beyoğlu Stores**" means three directly operated mono-brand stores in Istiklal Avenue, a major shopping street in Beyoğlu, Istanbul where shoppers as a group include a strong tourist component
- "**CAGR**" means compounded annual growth rate calculated as ((ending value / beginning value) ^ ((1 /time)) -1)
- "**consignee sales**" refers to the delivery of products to wholesalers without recording the delivery as a sale (revenue). We issue the invoice and recognize the revenue only after the wholesaler sells the products to customers
- "**corner store**" means a kiosk or corner allocated for Mavi's branded goods in a store where a wide variety of different branded goods are sold
- "**current season**" means the Fall-Winter or Spring-Summer seasons, as the case may be, in the current fiscal year
- "**Denim Bottoms**" means men's and women's trousers, pants and shorts made from denim fabric
- "**department store**" means a store having separate sections for a wide variety of different branded goods
- "**directly operated mono-brand stores**" and "**retail stores**" mean mono-brand stores that we operate
- "**e-commerce return rate**" means the ratio of (value of the returned products sold through e-commerce channel in Turkey)/(value of the returned products sold through e-commerce channel in Turkey + Turkish e-commerce revenue)
- "**Fall-Winter**" means the season from the beginning of August to the end of January
- "**franchise**" mean the right granted by the Company to a natural person and/or legal entity to market its branded products
- "**franchisee**" means a natural person or legal entity to whom a franchise has been granted
- "**franchise mono-brand stores**" mean mono-brand stores operated by franchisees
- "**Lifestyle products**" means Mavi's products other than Denim Bottoms
- "**markdown ratio**" is calculated as discounts / (gross sales – returns)
- "**Mavi**", "**we**," "**our**", "**Group**" and "**us**" mean the Company and its consolidated subsidiaries; which are:
  - Mavi Jeans, Inc., a corporation incorporated under the laws of the State of New York, United States ("**Mavi USA**");
  - Mavi Jeans Inc., a corporation incorporated under the laws of the Province of British Columbia, Canada ("**Mavi Canada**");
  - Mavi Europe AG, a stock corporation incorporated under the laws of the Federal Republic of Germany ("**Mavi Europe**");
  - Limited Liability Company "Mavi Jeans", a limited liability company incorporated under the laws of the Russian Federation ("**Mavi Russia**");
  - Mavi Jeans NL B.V., a private company with limited liability incorporated under the laws of the Netherlands ("**Mavi Netherlands**");
  - Mavi Kazakhstan LLP, a private company with limited liability incorporated under the laws of Kazakhstan ("**Mavi Kazakhstan**"); and
  - Eflatun Giyim Yatırım Ticaret A.Ş., a joint stock company organized under the laws of Turkey ("**Eflatun**")
- "**mono-brand store**" means a store, operated by Mavi or by a franchisee, that displays the Mavi brand identity and sells only Mavi products

- "**multi-brand points of sale**" means points of sale where more than one brand is sold, such as corner stores or department stores
- "**pop-up store**" means temporary and short-term retail sales spaces
- "**previous season**" means any season preceding the current season
- "**Spring-Summer**" means the season from the beginning of February to the end of July

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Statutory Financial Statements

We maintain our books of account and prepare our statutory financial statements in TL in accordance with the requirements of the Turkish Commercial Code no. 6102 (the "**TCC**") and Turkish tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance of Turkey.

Fiscal Periods and Dates

In this offering circular:

- "Fiscal Year 2013" refers to our fiscal year ending January 31, 2014;
- "Fiscal Year 2014" refers to our fiscal year ending January 31, 2015;
- "Fiscal Year 2015" refers to our fiscal year ending January 31, 2016;
- "Fiscal Year 2016" refers to our fiscal year ending January 31, 2017;
- "Fiscal Year 2017" refers to our fiscal year ending January 31, 2018;
- "Fiscal Year End 2014" refers to January 31, 2015;
- "Fiscal Year End 2015" refers to January 31, 2016; and
- "Fiscal Year End 2016" refers to January 31, 2017.

IFRS Consolidated Financial Statements

Our audited consolidated annual financial statements for Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016 included in this offering circular beginning on page F-1 (the "**Financial Statements**") have been presented in TL and prepared in accordance with the interpretations issued by the International Accounting Standards Committee and Standing Interpretations Committee ("**IFRIC**") and International Financial Reporting Standards ("**IFRS**"), promulgated by the International Accounting Standards Board ("**IASB**"). The significant IFRS accounting policies applied in the financial information of Mavi are applied consistently in the financial information in this offering circular. In making an investment decision, prospective investors must rely on their own examination of the information regarding Mavi, the terms of the Offering and the financial and other information in this offering circular.

Our Financial Statements have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of KPMG International Cooperative), independent auditor, which we refer to in this offering circular as KPMG, as stated in their report included elsewhere in this offering circular. Unless otherwise indicated, the financial information presented in this offering circular is extracted or derived from our Financial Statements.

TFRS Consolidated Financial Statements

Under the Communiqué on the Principles regarding Financial Reporting in Capital Markets II-14.1 ("**Financial Reporting Communiqué**"), all public companies in Turkey are required to prepare and present financial statements in accordance with Turkish Financial Reporting Standards ("**TFRS**") and Turkish Accounting Standards ("**TAS**") as promulgated by the Turkish Public Oversight Accounting and Auditing Standards Authority (*Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu*; the "**POAASA**"). In connection with the Domestic Offering and in accordance with CMB requirements, we have made public our audited consolidated annual financial statements for Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016 that have been prepared and presented in accordance with TFRS/TAS (the "**TFRS Financial Statements**").

The accounting principles of TFRS are identical to those of IFRS promulgated by the IASB and the interpretations issued by the IFRIC, except as follows:

- the formats for presentation of financial statements are regulated by the POAASA;
- through its official communiqués, the POAASA has eliminated certain alternative accounting options available under IFRS; and
- the effect of general inflation on the net non-monetary position is included as a separate line.

The TFRS Financial Statements are included in the Domestic Prospectus and have been audited by KPMG.

Financial Information Regarding Mavi USA and Mavi Canada

On August 12, 2016, we acquired 51.0% of the shares and voting rights of Eflatun from Fatma Elif Akarlılar, Seyhan Akarlılar and Ragıp Ersin Akarlılar. As a result, we obtained indirect control of Eflatun's subsidiaries, Mavi USA and Mavi Canada. Our Financial Statements reflect the results of Mavi USA and Mavi Canada on a consolidated basis from September 1, 2016. The acquisition of Eflatun is further discussed in "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Contractual Commitments,*" *"Business—International Expansion"* and *"Related Party Transactions—Eflatun Acquisition"* of this offering circular and in Note 4 to the Financial Statements.

This offering circular contains certain historical financial information with respect to Mavi USA and Mavi Canada. The financial information of Mavi USA has been extracted from its accounting records for Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016, presented in US. dollars and prepared in accordance with IFRS. The financial information of Mavi Canada has been extracted from its financial statements for Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016, presented in Canadian dollars and prepared in accordance with IFRS.

Condensed Combined Pro Forma Financial Information

This offering circular contains unaudited condensed combined pro forma financial information for the Group for Fiscal Year 2016, giving pro forma effect to the acquisition of Eflatun, the controlling entity of Mavi USA and Mavi Canada. The condensed combined pro forma financial information is presented to illustrate the effect of the acquisition on our consolidated historical results of operations as if it had occurred on February 1, 2016. See "*Condensed Combined Pro Forma Financial Information*".

The information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation, and is not intended to represent or be indicative of the results of operations or financial condition that we would actually have reported had the acquisition occurred on February 1, 2016, nor does such condensed combined pro forma financial information purport to project our results of operations or financial condition for any future period.

Key Performance Indicators

We have included certain measures in this offering circular that are not measures of performance under IFRS. These include our EBITDA, Like-for-Like measures and Adjusted Like-for-Like measures, number of transactions, transaction growth and adjusted transaction growth, basket size and basket size growth, store contribution, sell-through rate, markdown ratio, conversion rate and new store numbers. The key performance indicators that are non-IFRS financial measures disclosed in this offering circular, except for EBITDA, are unaudited supplementary measures that are not required by, or presented in accordance with, IFRS. We have presented like-for-like, adjusted like-for-like, adjusted changes in working capital, adjusted operating cash flow, and cash conversion rate in this offering circular because our management believes they are useful as additional tools to measure our operating performance and the profitability of our operations, and because we believe that these figures are commonly reported and widely used by investors.

You should not place undue reliance on our historical non-IFRS measures and financial indicators and should not regard them as:

- an alternative to operating profit or net profit as determined in accordance with generally accepted accounting principles, or as measures of operating performance;
- an alternative to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles, or as a measure of our ability to meet liquidity needs; or
- an alternative to any other measures of performance under generally accepted accounting principles.

These measures are not indicative of our historical operating results, nor are they meant to be predictive of future results. These measures are used by our management to monitor the underlying performance of the business and operations. Since all companies do not calculate these measures in an identical manner, our presentation may not be consistent with similar measures used by other companies. Therefore, prospective investors should not place undue reliance on these data.

EBITDA

EBITDA (*earnings before interest, taxes depreciation and amortization*) is a financial measure that we derive from our consolidated financial statements. EBITDA is measured by excluding from profit generated through continuing operations the impact of taxation, net finance costs, depreciation and amortization ("**EBITDA**").

The following table shows how we reconcile our EBITDA to our reported operating profit on a consolidated basis for the periods indicated:

	Fiscal Year		
	2014	2015	2016
	(thousand TL, except for EBITDA Margin)		
Profit	18,885	33,453	51,813
Income tax expense	9,869	12,607	16,647
Profit before tax	28,754	46,060	68,460
Net finance costs	45,443	44,726	55,220
Depreciation and amortization	29,043	40,227	46,529
EBITDA	**103,239**	**131,013**	**170,210**
EBITDA Margin (%)[1]	**11.5**	**12.4**	**13.0**

1) EBITDA Margin means the ratio of EBITDA to revenue.

Like-for-Like Measures and Adjusted Like-for-Like Measures

In analyzing our performance, our management makes significant use of like-for-like, or LFL, measures. LFL measures are frequently used by retail business, especially businesses that are undergoing rapid growth and expansion. These measures seek to provide a more meaningful basis for analyzing the development of the business from one period to another by considering only those factors that were the same in both periods.

LFL revenue represents the relevant months relevant month's net revenues from directly operated mono-brand stores in Turkey that have been open for at least twelve months between a period end and the comparable period end in the preceding fiscal year, excluding changes in revenues attributable to stores (i) that were closed more than five days in any particular month or (ii) whose floorspace increased or decreased more than 5%, during any of the fiscal years that are being compared ("**LFL stores**").

For example, in calculating growth in revenue from year A to year B on an LFL basis, we would ignore the contribution from shops opened or businesses acquired during year B, as those factors had no effect on revenue for year A. Similarly, we would eliminate from our analysis the contributions from any shops closed during year A. Once a newly-opened shop has been operating for a full twelve months, we include it in our LFL analysis for that period and subsequent periods.

Although LFL measures are a commonly-used management tool in our industry, there may be differences in the precise method used to calculate them from one company to another. The basis for our LFL measurements may not be the same as that for our competitors. You should therefore use caution in comparing our LFL measures with those of other companies.

We have also presented sales on an Adjusted LFL basis. In July 2016, our sales were affected, as was retail business in Turkey generally, by the coup attempt in that month. During Fiscal Year 2016 as a whole, our Beyoğlu Stores, where tourists make up a large component of shoppers, were also affected by the downturn in tourism in Turkey, which was the result of several factors. Our Adjusted LFL figures eliminate from our total revenue for Fiscal Year 2016 and from the comparative revenue for the preceding fiscal year (i) revenue generated by sales in our directly operated mono-brand stores in Turkey for the month of July, as well as (ii) revenue generated by sales in our Beyoğlu Stores during such year ("**Adjusted LFL**"). We have omitted these sales from our Adjusted LFL figures because we believe that doing so permits a more meaningful comparison of our revenue in Fiscal Year 2016 with revenue from earlier fiscal years.

	Fiscal Year		
	2014	2015	2016
	(thousand TL)		
Retail Revenue[1]	550,658	703,642	856,736

1) Retail revenue means revenue generated from directly operated mono-brands in Turkey.

	LFL Years					
	2014		2015		2016	
	2013	2014	2014	2015	2015	2016
	(thousand TL, except for LFL Margin and LFL Growth)					
LFL Revenue[1]	349,524	419,643	479,812	550,342	622,905	689,920
LFL Growth[2] (%)	20.1		14.7		10.8	
Adjusted LFL Revenue[3]					542,112	618,677
Adjusted LFL Growth[4]	20.1		14.7		14.1	
LFL Margin[5] (%)	76.2		78.2		80.5	

1) LFL Revenue means revenue generated from LFL stores.
2) LFL Growth calculated as {(a specific years' LFL Revenue – preceding years' LFL Revenue) / preceding years' LFL Revenue}.
3) Adjusted LFL Revenue means revenue generated from directly operated mono-brands in Turkey which are included in Adjusted LFL measurement.
4) Adjusted LFL Growth calculated as {(a specific years' Adjusted LFL Revenue – preceding years' Adjusted LFL Revenue) / preceding years' Adjusted LFL Revenue}.
5) LFL Margin means the ratio of Retail Revenue to LFL Revenue.

Retail revenue amounts to TL 395,608 thousand for the Fiscal Year 2013. Retail revenue from stores other than LFL stores amount to TL 131,015 thousand, TL 153,300 thousand, and TL 166,816 thousand for the Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016 (and its relevant comparisons of TL 46,084 thousand; TL 70,845 thousand and TL 80,737 thousand for the Fiscal Year 2013, Fiscal Year 2014 and Fiscal Year 2015), respectively.

Number of Transactions, Transaction Growth and Adjusted Transaction Growth

In analyzing our performance, our management also uses number of transactions (invoices) and transaction growth rates in our LFL Stores. During previous years basket transaction growth has been one of two drivers in increasing our revenue of directly operated mono-brand stores in Turkey.

We also presented our transaction growth figures for Fiscal Year 2016 on an adjusted basis. Our adjusted transaction growth figures eliminate (i) transactions executed in directly operated mono-brand stores in Turkey in July 2016 and July 2015 and (ii) transactions executed in our Beyoğlu Stores throughout the Fiscal Year 2016 and Fiscal Year 2015 from total transaction growth ("**Adjusted Transaction Growth**").

Basket Size and Basket Size Growth

In analyzing our performance, our management also uses basket size measure in our LFL Stores. Basket size means the average revenue earned from a directly operated mono-brand store per invoice ("**basket size**"). During previous years basket size growth has been one of two drivers in increasing our revenue of directly operated mono-brand stores in Turkey.

We also presented our basket size growth figures for Fiscal Year 2016 on an adjusted basis. For each relevant period, our adjusted basket size growth figures eliminate (i) transactions executed in directly operated mono-brand stores in Turkey in July 2016 and July 2015 and (ii) transactions executed in our Beyoğlu Stores through the Fiscal Year 2016 and Fiscal Year 2015 from total transaction growth ("**Adjusted Basket Size Growth**").

Store Contribution

Store contribution is a key performance indicator used by our management, which reflects store profitability, measured as EBITDA, without reflecting headquarters costs (i.e., net store revenues less (i) cost of goods sold and (ii) direct selling costs (all related costs, except for headquarters, general and administrative expenses, before interest and taxes ("**store contribution**").

Sell-through Rate

Sell-through rate is the calculation, commonly represented as a percentage, comparing the volume of inventory a retailer receives from a manufacturer or supplier against what is actually sold to the customer until the end of the sale period (i.e. the relevent season comprising following two months) ("**sell-through rate**"). Sell-through rate is calculated as "(sale period to date gross pieces—sale period to date returned pieces) / (sale period to date gross pieces—sale period to date returned pieces + end of sale period inventory hand)".

Markdown ratio

Our management continuously works to efficiently manage our markdown practices. Our markdown management compromises all markdown practices applied by the Company to increase efficiency of directly operated mono-brand stores, sales of products and decrease shelf life. In analyzing our performance, our management also uses markdown ratio to evaluate its markdown management performance in Turkish retail sales. Markdown ratio is calculated as "Turkish retail discounts / (Turkish retail gross sales—Turkish retail returns)" ("**markdown ratio**").

Conversion Rate

In analyzing our performance, our management also uses conversion rate, which is the ratio of invoices to traffic in directly operated mono-brand stores in Turkey.

Cash Conversion Rate

In analyzing our performance, our management also uses adjusted operating cash flow and cash conversion rate. Adjusted operating cash flow is calculated as "EBITDA—Changes in Adjusted Working Capital". Working capital is the difference between current assets and current liabilities and change in working capital means the difference between a specific year's working capital and preceding year's working capital.

Cash conversion rate is the ratio of "Adjusted Operating Cash Flow / EBITDA".

New Net Store Numbers

All references in this offering circular to numbers of new directly operated mono-brand stores opened in Turkey in a given period are net of any such stores permanently closed during the same period.

Market and Industry Information

This offering circular contains historical market data and forecasts that have been obtained from industry publications, market research and other publicly available information. Some information regarding market size, market share, market position, growth rates, economic performance, and other industry data pertaining to us and our business contained in this offering circular consist of estimates based on data reports compiled by professional organizations and on data from government and other external sources. The reports that we cite in this offering circular were prepared by:

- GfK Research Services (*GfK Araştırma Hizmetleri A.Ş.*; "**GfK**"); this report was commissioned by Mavi in 2016
- Euromonitor International Ltd ("Euromonitor"), 2016
- Fortune 500 results prepared by Fortune Magazine, which is published by Nikkei Mutlu Dergi Grubu A.Ş. in Turkey in 2016
- Ekonomist Franchising 100 Study conducted by Ekonomist Magazine, which is published by Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. in 2016
- Social Media Buzz report prepared by Somera Sosyal Medya Araştırma Ölçümleme A.Ş. ("**Somera**") in 2016

Certain of the information contained in this offering circular in "*Exchange Rates*," "*Risk Factors*," "*Business*," "*Management's Discussion and Analysis of Results of Operations and Financial Conditions*" and "*The Turkish Securities Market*" has been extracted from summaries of information and data publicly released by official sources in Turkey. We have not independently verified this information.

Where third-party information has been used in this offering circular, the source of such information has been identified. The information provided from the sources referred to in this offering circular has been accurately reproduced and, as far as we are aware and have been able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. We have not, however, independently verified the information in industry publications, market research or other publicly available information provided by third parties, although we believe the information contained therein to be from a reliable source. None of Mavi, the Selling Shareholder or any of the Managers represent that this information is accurate.

In some cases, there is no readily available external information (whether from trade and business organizations and associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring us to rely on internally developed estimates. Although we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and there can be no assurance as to their accuracy, or that a third party using different methods to assemble, analyze or compute market data would obtain the same results. Finally, behavior, preferences and trends in the marketplace may change.

With regard to both third-party and internally derived market and industry information, we do not intend, and do not assume any obligation, to update industry or market data set forth in this offering circular. As a result, you should be aware that data in this offering circular and estimates based on such data may not be reliable indicators of future market performance or our future results.

Currency Presentation

In this offering circular, references to "TL" are to Turkish lira; references to "U.S. dollar" and "$" are to the U.S. dollar; references to "euro" or "€" are to the currency of the member states of the European Union (the "**EU**") participating in the European Economic and Monetary Union, "C$" are to the Canadian dollar, and "RUB" are to the Russian ruble.

Rounding Adjustments

Certain figures included in this offering circular have been subject to rounding adjustments. Accordingly, the figures shown for the same item presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Exchange Rate Information

We do not make any representation that the TL, euro or U.S. dollar amounts in this offering circular have been, could have been or could be converted into any currency at any particular rate, or at all. You should read "*Exchange Rates*" for historical information regarding the Central Bank exchange rates between the TL, the euro and the U.S. dollar. For a discussion of the effects of fluctuating exchange rates on us, see "*Risk Factors—Risks Related to Our Industry and Business We may be subject to exchange rate risk associated with our different currency denominated revenue and operating expenses, liabilities and assets*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Risk,*" "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Key Factors Affecting Our Results of Operations—Foreign Exchange Rates*" and Note 2.2(b)(ii) to the Financial Statements which provide the foreign exchange rates used in the preparation of the Financial Statements.

EXCHANGE RATES

The TL has historically been, and continues to be, a volatile currency. Although until February 2001 it was a stated policy of the Central Bank to devalue the TL in line with the domestic inflation rate, the Central Bank has since adopted a floating exchange rate policy, resulting in increased volatility in the value of the TL. See also "*Risk Factors—Risks Related to Our Industry and Business—We may be subject to exchange rate risk associated with our different currency denominated revenue and operating expenses, liabilities and assets.*"

The following table shows the high, low, period average and period end buying exchange rates for U.S. dollars announced by the Central Bank of Turkey, expressed as the number of TL per U.S. dollar, for the years indicated.

	U.S. dollar / TL exchange rate			
Year	**High**	**Low**	**Period Average**	**Period End**
2012	1.8889	1.7375	1.7872	1.7826
2013	2.1604	1.7459	1.9033	2.1343
2014	2.3671	2.2071	2.1865	2.3189
2015	2.9127	2.6234	3.0182	3.1776
2016	3.5860	2.7865	3.0247	3.5243
Month				
January 2017	3.9417	3.5243	3.7454	3.7717
February 2017	3.7952	3.5552	3.6632	3.6457
March 2017	3.7861	3.5837	3.6727	3.6337
April 2017	3.7447	3.5340	3.6548	3,5502
May 2017 (through May 26)	3.6423	3.5160	3.5678	3.5826

Source: Central Bank of Turkey.

The following table shows the high, low, period average and period end buying exchange rates for euro announced by the Central Bank of Turkey, expressed as the number of TL per euro, for the years indicated.

	Euro / TL exchange rate			
Year	**High**	**Low**	**Period Average**	**Period End**
2012	2.4438	2.1778	2.3045	2.3517
2013	2.9844	2.3118	2.5290	2.9365
2014	3.2053	2.7535	2.9042	2.8207
2015	3.4684	2.6234	3.0182	3.1776
2016	3.8190	3.1617	3.3441	3.7097
Month				
January 2017	4.1769	3.6979	3.9826	4.0743
February 2017	4.0952	3.7604	3.8984	3.8577
March 2017	4.0110	3.8191	3.9248	3.8726
April 2017	3.9869	3.8443	3.9161	3.8727
May 2017 (through May 26)	4.0518	3.8345	3.9371	4.0065

Source: Central Bank of Turkey.

The exchange rate for U.S. dollars and euro announced by the Central Bank of Turkey on May 26, 2017 was 3.5826 = $1.00 and TL 4.0065 = €1.00, respectively.

These rates are provided solely for the convenience of the reader. No representation is made that euro or U.S. dollars could have been converted into TL at the rates shown or at any other rate during such periods or on such dates.

SUMMARY

This summary highlights selected information from this offering circular and may not contain all of the information that is important to you. You should carefully read the entire offering circular, including the statements in "Risk Factors" and our Financial Statements and the notes thereto, before making an investment decision.

We are a casual lifestyle fashion business based in Istanbul, where we were founded in 1991. With strong denim roots, we have evolved into an international apparel and accessories brand for both women and men. We have built our success on products of superior quality and on our "Perfect Fit" strategy. Our "Perfect Fit" strategy aims to know our customers and their needs so that the brand and the products fully satisfy the customers' quality expectations and perfectly fit their bodies and their lifestyles, offering a high value for the price. In Fiscal Year 2016, on a pro forma basis, we sold 7.5 million denim items worldwide excluding Russia and Australia via a network of approximately 5,500 points of sale.

As at Fiscal Year End 2016, we operated 261 retail stores, our franchisees operated 70 franchise mono-brand stores and our products were sold in 436 multi-brand points of sale in Turkey.

Among the 5.7 million customers in Turkey who hold our loyalty program cards, approximately 3.9 million are active users, that is, individuals who have used their loyalty program cards while shopping with us during the last two years. We have built a loyal customer following and our core segment consists of young, fashion-conscious men and women under 35. We therefore believe that we are strongly positioned to benefit from the young demographics of Turkey. Our loyalty program, together with our social media presence, which recorded 3.3 million followers generating approximately 60 million impressions in 2016, gives us a powerful insight into customer preferences and trends.

Mavi is an aspirational lifestyle and customer centric brand. Our products are positioned between the upper end of the 'core' and the 'premium' section of the jeans market, with the ability to offer premium products. Our brand image translates into strong pricing power, which we reinforce through collaborations with leading designers, such as our cooperation with Adriano Goldschmied. Mavi was the number one jeans brand in Turkey for top-of-mind awareness (over 50%), according to a brand perception report prepared by GfK in June 2016 and has the highest market share in the Turkish jeans market according to Euromonitor (February 2017).

In 2008 we decided to accelerate our retail expansion. We have achieved a solid track record for growth since then, reaching 261 directly operated mono-brand stores and approximately 117,000 sqm net selling retail space within Turkey in Fiscal Year 2016 compared to c. 80,000 sqm and c. 99,000 sqm in Fiscal Year 2014 and Fiscal Year 2015. Adjusted LFL revenue growth at our retail stores in Turkey had an average of 16.3% and revenue at our retail stores in Turkey has grown at a CAGR of 24.7% between Fiscal Year 2014 and Fiscal Year 2016. Adjusted LFL revenue at our directly operated mono-brand stores in Turkey has grown at 14.1% in Fiscal Year 2016; and LFL revenue has grown at 10.8%. Our increased focus on retail has helped us grow across multiple categories, becoming a true lifestyle brand. In Fiscal Year 2016, we generated 56% of our total revenue from directly operated mono-brand stores in Turkey through sales of products in our Lifestyle category, that is, items outside the Denim Bottoms category. In 2013 we launched our e-commerce operations to complement the growth of our physical retail stores. We support the productivity of our stores with a flexible supply chain, with a strong focus on local sourcing that we believe creates advantages in terms of quality control, margins and time-to-market.

Internationally, we have built a strong reputation with our unique brand and brand recognition thanks to the quality of our denim products. The following table shows the number of denim products we sold in certain key non-Turkish markets in the periods indicated:

	Fiscal Year		
	2014[(1)]	**2015[(1)]**	**2016[(2)]**
	(Units in millions)		
Sales outside Turkey	1.3	1.0	1.6
Global sales including Turkey	5.8	6.0	7.5

1) Excludes Russia, Australia, the United States and Canada.
2) Excludes Russia and Australia; includes the United States and Canada on a pro forma basis as if our acquisition of Mavi USA and Mavi Canada had occurred on February 1, 2016. See *"Condensed Combined Pro Forma Financial Information"*.

Our international distribution platform includes 61 mono-brand stores outside Turkey as well as strong wholesale and online partners such as Bloomingdale's, Nordstrom, Zappos.com, Simons, David Jones, P&C and Zalando.com.

We currently sell, directly or indirectly, in 34 different countries outside Turkey, with a network consisting of 61 mono-brand stores and approximately 4,650 multi-brand points of sale. Outside Turkey, we operate primarily in four geographical markets: the United States (following our acquisition of Mavi USA); Canada (following our acquisition of Mavi Canada); Europe (mainly Germany); and Russia. We are positioned in the upper segment of the jeans market and can provide premium products to our customers, such as our 34 Heritage line, a high-end men's denim bottom brand aimed at the U.S. and Canadian market.

We continue to focus both on retail expansion in Turkey and on international and online growth. In Fiscal Year 2016, we recorded consolidated revenue of TL 1,307.9 million, profit of TL 51.8 million and EBITDA of TL 170.2 million. As at Fiscal Year End 2016, our CAGR over the three fiscal years on consolidated revenue, profit and EBITDA increased by 20.9%, 65.6% and 28.4%, respectively. On a combined pro forma basis, adjusted to reflect the acquisition of our U.S. and Canadian subsidiaries, our revenue for Fiscal Year 2016 was TL 1.4 billion, our profit was TL 53.9 million and our EBITDA was TL 176.9 million. See "*Presentation of Financial and Other Information—Key Performance Indicators—EBITDA*."

Key Strengths

We believe that we have a number of strengths that position us well to achieve our strategy for growth. These include:

- Aspirational brand with strong identity
- Success built on multi-category products
- Outstanding retail execution with a strong direct-to-consumer platform in Turkey
- Flexible supply chain and strategic position at hub of supplier ecosystem
- Reliable business partner and strong relationships with counterparties
- Ability to leverage on growing GDP and young population in Turkey
- Strong financial performance
- Experienced management team

Our Strategy

The following are key elements of our strategy to build on our established strengths and achieve our plans for growth.

- Strong organic LFL expansion in Turkey
- Increase floorspace in Turkey, both via new directly operated mono-brand stores opening and directly operated mono-brand store expansion
- E-commerce growth
- International expansion

THE OFFERING

Company	Mavi Giyim Sanayi ve Ticaret A.Ş.
Selling Shareholder	Blue International Holding B.V.
Offering	A total of 23,749,000 Class B Shares representing 47.83% of the share capital are being offered by the Selling Shareholder. In addition, 3,562,350 additional Class B Shares representing 7.17% of the share capital will be sold by the Selling Shareholder on the Closing Date for the purpose of covering over-allotments.
International Offering	16,624,300 Class B Shares are being offered in the International Offering. The Offer Shares are being offered and sold (i) outside the United States and Turkey to institutional investors in offshore transactions in reliance on Regulation S; and (ii) in the United States only to QIBs in reliance on Rule 144A.
Domestic Offering	7,124,700 Class B Shares are being offered in the Domestic Offering to retail (4,749,800 Class B Shares) and institutional (2,374,900 Class B Shares) investors in Turkey in offshore transactions in reliance on Regulation S. The Domestic Offering was open from June 8, 2017 to June 9, 2017 and conducted pursuant to an intermediation and consortium agreement with a syndicate of Turkish financial institutions led by the Domestic Coordinator. The allocation of the Offer Shares between the International Offering and the Domestic Offering is subject to change in accordance with applicable Turkish regulation. See "*Plan of Distribution*."
Share Capital	Our current issued share capital consists of 49,657,000 Shares, of which 22,345,650 are Class A Shares and the 27,311,350 are Class B Shares. All such shares are fully paid, issued and outstanding, and have a nominal value of TL 1.00 each. Our Offer Shares have the rights described under "*Description of Our Share Capital*."
Stabilization	In connection with the Offering, the Selling Shareholder has agreed to provide Iş Investment, as Stabilization Manager, the Stabilization Funds to effect, after consultation with the International Managers, transactions with a view to supporting the market price of the Offer Shares on Borsa Istanbul, as described in more detail under "*Plan of Distribution—Stabilization*."
Offer Price	TL 43.00 per Offer Share.
Use of Proceeds	The gross proceeds from the Offering will be TL 1,174.4 million. We will not receive any proceeds from the Offering, all of which will be entirely at the disposition of the Selling Shareholder, after deducting the commissions, expenses and applicable taxes (if any) payable. We expect to incur approximately TL 5.4 million in expenses in connection with the Offering.
Lock-Up Arrangements	We and the Selling Shareholder have agreed that, subject to certain exceptions, for a period of 180 days from the date of the Underwriting Agreement, neither they nor any of their subsidiaries or other affiliates over which they exercise management or voting control, nor any person on their behalf, will, without prior written consent of International Managers, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such offer, sale or

disposal) any Shares (or any interest therein or in respect thereof) or securities convertible or exchangeable into or representing the right to receive Shares or any such substantially similar securities or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities, or otherwise enter into any transaction (including any derivative transaction) directly or indirectly, permanently or temporarily, to dispose of any Shares, or undertake any other transaction with the same economic effect as any of the foregoing or announce an offering of the Shares or any interest therein or announce publicly any intention to enter into any transaction described above.

In addition, under a mandatory lock-up requirement imposed by Turkish capital markets regulations, the Selling Shareholder may not (i) sell Shares on Borsa Istanbul below the Offer Price or (ii) execute any transaction that would have the same effect as selling Shares below the Offer Price within a period of one year after commencement of trading in the Offer Shares on Borsa Istanbul. Persons buying Shares through off-exchange transactions after the commencement of trading are subject to the same restriction; the Selling Shareholder is obligated to inform prospective buyers in such transactions of this restriction. See "*Plan of Distribution—Lock-up Arrangements*."

Transfer Restrictions

The Offer Shares will be subject to certain restrictions on transfers as described in "*Transfer Restrictions*."

Disclosure of Beneficial Interests in Shares

Persons becoming direct or indirect holders of 5.0%, 10.0%, 15.0%, 20.0%, 25.0%, 33.0%, 50.0%, 67.0% or 95.0% or more of the issued share capital or voting rights of a public company in Turkey are required to notify the Public Disclosure Platform of such an acquisition and, thereafter, to notify the Public Disclosure Platform of their transactions in the shares or voting rights of such public company when the total number of the shares or voting rights they hold falls below or exceeds such thresholds. The name of the investor and the issuer, date of the transaction, the nominal value of the shares subject to the transaction and the value of the transaction, the ratio of the shares in the capital of the public company prior to and following the transaction should be included in the notice sent to the Public Disclosure Platform. The system is operated and managed by the Central Registry Agency.

With respect to the disclosure to be made following the purchase of Offer Shares in the Offering, the CMB regulations require that persons who purchase 5.0% or more of the shares offered in a public offering, and persons having access to information that might affect the share price (whether or not they purchase 5.0% or more of the shares offered in a public offering), be disclosed to the CMB and Borsa Istanbul by the lead manager of the domestic underwriting consortium. With regard to such persons, as a matter of market practice the Domestic Bookrunner will disclose the following information to the public through the Public Disclosure Platform:

- name;
- field of activity;

- nationality;
- whether the person has purchased or holds the shares on behalf of a client or as a depositary; and
- the nominal value of the purchased shares.

For additional information, see "*Description of Our Share Capital—Disclosure of Material Events—Continuous Information*."

Dividends	Holders of the Offer Shares will be entitled to receive dividends payable, if any, on the Offer Shares in respect of fiscal year ending January 31, 2018 and any dividends payable in subsequent years. Our policy is to distribute at least 30% of our distributable net profit in cash, in the form of bonus shares or a combination of the two. See "*Risk Factors—Risks Relating to an Investment in the Offer Shares—We may not pay dividends to holders of our shares or declare dividends in the future,*" "*Dividends and Dividend Policy*" and "*Taxation*."
Voting Rights	Shareholders are entitled to one vote per Share on all matters submitted to a vote of our shareholders. However, holders of the Class A Shares have certain additional rights with respect to nomination of a candidate for our board of directors (the "**Board of Directors**") and for chairman of the Board of Directors.

Pursuant to our articles of association, the unanimous approval by holders of our Class A Shares is required to adopt resolutions relating to the following matters, provided that the Selling Shareholder and its subsidiaries hold at least 20% of our share capital:

- changing the scope of activity, entering into new lines of business, or exiting the current lines of business;
- increasing the share capital, except for increases made in accordance with the issued share capital system; decreasing the share capital;
- liquidation, dissolution or termination of the Company;
- changing the corporate status of the Company;
- filing of bankruptcy, concordatum, restructuring or postponement of bankruptcy;
- transfer of commercial enterprise either partially or in full;
- changing the Class A Shareholder's right to appoint Board of Directors' members or the structure of the board of directors;
- changing meeting and decision quora of the Board of Directors or the committees of the board of directors;
- approving the annual financial statements, the balance sheet or the profit and loss accounts;
- releasing the members of the board of directors from liability in respect of actions taken by them during the preceding financial year; or
- changing any of the reserved matters listed above.

See "*Description of Our Share Capital—Share Classes*."

Taxation	For a discussion of certain tax considerations relevant to an investment in the Offer Shares, see "*Taxation*."

Proposed Listing and Trading	We have applied for listing of the Class B Shares on Borsa Istanbul under the symbol "MAVI" No public trading market currently exists for any of our securities. Trading in the Offer Shares on Borsa Istanbul is expected to commence on or about June 15, 2017.
Settlement and Delivery	Payment for the Offer Shares is expected to be in TL in same-day funds. If you do not maintain a custody account in Turkey, you are required to open a custody account with a Turkish depositary that is a member of the Central Registry Agency in order to make payments of TL and receive Offer Shares. You must provide details of such custody accounts to the Managers no later than June 12, 2017. The Offer Shares will be delivered to your Turkish custody account on or about the Closing Date by means of book-entry registration, subject to timely and satisfactory provision of account details. See "*Plan of Distribution—Subscription, Settlement and Trading*" for further information.
Identification Number for the Shares	ISIN: TREMAVI00037
Risk Factors	You should read "*Risk Factors*" for a discussion of factors that you should consider carefully before deciding to invest in the Offer Shares.

SUMMARY HISTORICAL FINANCIAL DATA

The following tables set forth our summary historical financial data as at the dates and for the periods indicated. The following summary financial information should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and other relevant information included elsewhere in this offering circular. The summary financial information contained herein has been prepared and presented in accordance with IFRS. You should read the following information in conjunction with "*Presentation of Financial and Other Information*," "*Management's Discussion and Analysis of Results of Operations and Financial Condition*" and the Financial Statements and the notes thereto included elsewhere in this offering circular.

Summary Consolidated Statements of Profit or Loss

	Fiscal year		
	2014	**2015**	**2016**
		(thousand TL)	
Revenue	895,071	1,052,807	1,307,934
Cost of sales	(460,226)	(528,395)	(640,915)
Gross profit	**434,845**	**524,412**	**667,019**
Operating expenses, net[1]	(360,649)	(433,627)	(543,339)
Operating profit	**74,197**	**90,786**	**123,680**
Net finance costs	(45,443)	(44,726)	(55,220)
Profit before tax	**28,754**	**46,060**	**68,460**
Income tax expense	(9,869)	(12,607)	(16,647)
Profit	**18,885**	**33,453**	**51,813**

1) Includes administrative expenses, selling marketing expenses, research and development expenses, other income and other expenses.

Summary Consolidated Statements of Financial Position

	Fiscal Year End		
	2014	**2015**	**2016**
		(thousand TL)	
Total current assets	371,819	411,944	625,380
Total non-current assets	123,580	139,524	268,589
Total assets	**495,400**	**551,468**	**893,969**
Total current liabilities	380,171	402,263	631,594
Total non-current liabilities	53,580	53,579	121,876
Total liabilities	**433,751**	**455,843**	**753,470**
Total equity	**61,649**	**95,625**	**140,499**
Equity attributable to owners of the Company	61,649	95,625	148,734
Non-controlling interests	—	—	(8,235)
Total equity and liabilities	**495,400**	**551,468**	**893,969**

Summary Consolidated Statements of Cash Flow

	Fiscal Year		
	2014	2015	2016
		(thousand TL)	
Net profit for the year	18,885	33,453	51,813
Reconciling for non-cash items	79,898	102,539	119,708
Changes in working capital items	20,917	(7,949)	(24,327)
Employee benefits and income tax paid	(9,342)	(15,084)	(19,289)
Net cash from operating activities	110,358	112,959	127,904
Net cash used in investing activities	(60,423)	(55,612)	(77,794)
Net cash used in financing activities	(30,378)	(38,590)	(6,084)
Net increase in cash and cash equivalents	19,557	18,758	44,027
Cash and cash equivalents at the beginning of the period	72,490	92,047	110,805
Cash and cash equivalents at the end of the period	92,047	110,805	154,832

Prior to making an investment decision, you should carefully consider all of the information in this offering circular, including, without limitation, the risks described below. The risks and uncertainties described below are those that we are aware of and that we currently believe could materially affect us and any investment you make in us. If any of these events occur, the trading price of the Offer Shares could decline and you could lose all or part of your investment. Additional risks and uncertainties that either do not currently exist, that we are currently unaware of, or that we currently do not believe to be material may also become important factors that have a material adverse effect on our business, financial condition, results of operations, prospects and your investment. The order in which the risks are presented does not reflect the likelihood of their occurrence or their magnitude of potential impact on us.

You should also consider the other information set out elsewhere in this offering circular, including the Financial Statements and the related notes thereto and the information in "Management's Discussion and Analysis of Results of Operations and Financial Condition." For additional information concerning Turkey, its economy and other related matters. See "Business," "The Turkish Securities Market" and "Foreign Investment and Exchange Controls."

Risks Related to Our Industry and Business

Global economic conditions and the impact on consumer spending patterns could adversely impact our results of operations.

The Company's performance is subject to global economic conditions and their impact on levels of consumer spending worldwide. Some of the factors that may influence consumer spending include high levels of unemployment, higher consumer debt levels, reductions in net worth based on market declines and uncertainty, home foreclosures and reductions in home values, fluctuating interest rates and credit availability, government austerity measures, fluctuating fuel and other energy costs, fluctuating commodity prices, and general uncertainty regarding the overall future economic environment. Consumer purchases of discretionary items, including our merchandise, generally decline during periods when disposable income is adversely affected or there is economic uncertainty due to reduced purchasing power and consumer confidence.

Adverse economic changes in any of the regions in which we sell our products could reduce consumer confidence, and thereby could negatively affect earnings and have a material adverse effect on our results of operations. In challenging and uncertain economic environments, we cannot predict whether or when such circumstances may improve or worsen, or what impact, if any, such circumstances could have.

Our business operates in a highly competitive landscape.

The global apparel retail industry is highly competitive. We compete with the mono-brand stores of other retail fashion companies; local, national, and global department stores; independent retail stores; and online businesses that market similar lines of merchandise. We face a variety of competitive challenges including:

- competitively pricing our products and achieving customer perception of value;
- increasing competitive pressures on price from apparel companies in the mass-fashion market; and,
- increasing our selling retail space in Turkey where there is limited supply of suitable retail space.

Our sales and profitability can be materially adversely affected due to competition.

We may not be able to anticipate and respond to changing consumer preferences, fashion trends and a competitive environment in a timely manner.

Our future success depends, in part, upon our ability to identify and respond to fashion trends, and to provide merchandise that anticipates customer tastes, trends and demands in a timely manner. To the extent we misjudge the market for our merchandise or the products suitable for local markets or fail to execute trends and deliver product to market as timely as our competitors, our sales will be adversely affected. In addition, we may need to mark prices down to sell excess inventory. If we fail to respond in a timely manner to style developments and changes by:

- anticipating and responding quickly to changing apparel trends and customer needs and expectations;
- attracting customer traffic both in stores and online;
- maintaining favorable brand recognition and effectively marketing our products to customers in several diverse market segments and geographic locations;

- developing innovative, high-quality products in sizes, colors, and styles that appeal to customers of varying age groups and tastes; and
- anticipating and responding to changing customer shopping preferences and practices, including the increasing shift to digital brand engagement, social media communication, and online shopping.

We may suffer material decreases in both our revenue and our profitability.

Our efforts to expand internationally may not be successful and our business is global in scope and can be impacted by factors beyond our control.

Our current strategies include pursuing continued international expansion in a number of countries through a number of channels. Outside Turkey, we plan to open additional stores, primarily in Canada and Russia, expand our wholesale operations in the United States, Germany and Canada and continue to grow online sales internationally.

In Fiscal Year 2016, TL 186.8 million of our consolidated revenue was generated by sales outside Turkey. We expect that our international presence will continue to grow over time.

As a result of our large and growing international operations, we are exposed to a number of risks inherent in doing business in international markets. These risks arise from factors beyond our control, and may include:

- increased competition as result of major and established competitors;
- different regulatory requirements including real estate, employment and labor, transportation and logistics, regulatory, and other operating requirements that differ dramatically from those in markets where we have more experience. As we pursue our international expansion initiatives, in the event we fail to comply with such rules and regulations we may be subject to sanctions or other penalties;
- potential failure to satisfy consumer tastes and trends that may differ in these locations, reducing our ability to sell our products successfully;
- potential loss of investments and adverse impact on our operations and financial results if our international expansion plans are unsuccessful or do not deliver an appropriate return;
- macroeconomic developments and volatility in foreign economies, which may not necessarily track global macroeconomic developments;
- additional or increased customs duties, tariffs, taxes, quotas and other charges on imports or exports;
- social, legal or political instability or acts of terrorism, which disrupt trade with countries where we operate or where our manufacturers, suppliers or customers are located;
- increased exposure to risk relating to changes in exchange rates between foreign currencies, such as the U.S. dollar, Russian ruble, Canadian dollar and the euro, against the TL. A weakening TL effectively increases the cost of our imported products as well of imported raw materials used in products sourced in Turkey. A strengthening lira would require us to increase sales prices of items sold abroad or, if we were unable to do so, would reduce our margins from the affected markets; and
- our potential inability, or the inability of our international franchisees, licensees and distributors, to locate and continue to open desirable new retail locations.

Adverse developments in these markets could prevent us from implementing our strategic plans for international expansion or achieving the expected financial results from such expansion. Such developments could make it difficult to obtain raw materials and finished apparel from countries we wish to purchase from at favorable prices. Potentially, they could also lead to delays in the delivery of our products or defects on the quality of our products. Any of these developments could materially reduce our revenue from, and the profitability of, our operations outside Turkey.

Our business, including our costs and supply chain, is subject to risks associated with global sourcing and manufacturing and our success depends on the strength of our relationships with our suppliers and manufacturers.

We do not own or operate any production facilities. Instead, we commission third party domestic and foreign manufacturers. We do not have long-term contracts with any suppliers or manufacturers, and our business is dependent on long-term partnerships with our vendors. We do not maintain any exclusive commitments to purchase from any manufacturer or raw material vendor.

If we experience significant increases in demand or need to replace an existing vendor, there can be no assurance that additional manufacturing capacity will be available when required on terms that are acceptable to us or that any vendor would allocate sufficient capacity to us in order to meet our requirements. In addition, for any new manufacturing source, we may encounter delays in production and added costs as a result of the time it takes to train our vendors in our methods, products, quality control standards, and environmental, labor, health, and safety standards. Moreover, in the event of a significant disruption in the supply of the fabrics or raw materials used by our vendors in the manufacture of our products, our vendors might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. Any delays, interruption, increased costs of raw materials or the manufacture of our products could result in lower sales and net income.

Further, we work with Erak Giyim San. ve Tic. A.Ş. ("**Erak**") and Erak's Egyptian subsidiary Akay Lelmalabis Elgazhizah LLC ("**Akay**") for a significant part of our procurement. See "*—We rely to a significant extent on specific suppliers. An interruption or cessation of their services could harm our operations.*" Erak is controlled by Sait Akarlılar. Hayriye Fethiye Akarlılar, who is an indirect shareholder of Mavi, indirectly owns a 20% stake in Erak. Our interests may conflict with Erak's interests, which in turn may affect our business negatively. See "*—After the Offering, some of our existing beneficial owners will continue to exercise effective control over Mavi. Their interests may not be aligned with our interests or those of other shareholders*."

We could be harmed if our suppliers or manufacturers violate labor, environmental and other laws, standards and practices.

We do not own or operate any production facilities. We depend on third party suppliers and contractors to manufacture our Denim Bottoms and lifestyle products to our specifications. Our suppliers and manufacturers are subject to a range of laws and regulations, and we require them to operate in line with our guidelines and code of conduct. However, their compliance with applicable laws and regulation and with our own standards is ultimately beyond our control. We cannot assure you that a supplier or manufacturer will not violate labor, environmental, safety or other laws, our guidelines and standards, or the business practices and ethical standards prevalent in the markets where we operate. Failure of our suppliers or manufacturers to comply with law or standards could disrupt the production and shipment cycle of our products, harm the value of our trademarks, or damage our reputation.

Our business is subject to fluctuations in the price and availability of raw materials.

Our third-party suppliers use raw materials and semi-finished products to produce the inventory sold at our stores, and we are therefore exposed to the risk of fluctuation in both the price and availability of such raw materials and products. The principal raw material that our suppliers use and which is subject to significant price fluctuation is cotton. The price and availability of cotton may fluctuate significantly based on various factors, including the economically cyclical nature of the cotton markets, a reduction in availability, an increase in demand, the terms of supply, government measures, the introduction and/or increase of customs duties, natural catastrophes and other factors that are not within our control and that are difficult to anticipate.

Shortages of cotton or other raw materials our manufacturers, use may make it more difficult for us or them to obtain the necessary raw materials in the required volumes, at an affordable price and at an acceptable level of quality. This might potentially lead to a delay in product delivery or a decrease in product quality, which could decrease our revenue or profitability. This could lead to an increase in our cost of sales, reducing our gross margin and profitability.

We rely to a significant extent on specific suppliers. An interruption or cessation of their services could harm our operations.

Two of our suppliers are of particular importance to our business. We work with Erak and its subsidiary Akay for the significant part of our procurement. We work with Ekol Lojistik A.Ş. ("**Ekol**") for all of our logistics and warehousing needs in Turkey.

In Fiscal Year 2016, we procured 81% of our denim products and 41.8% of our consolidated procurement through Erak and Akay. Since our establishment, we have been working with Erak and expect to continue doing so. If Erak ceases to be able to supply us with merchandise manufactured to our specifications and standards, or in the event of any temporary disruption in their supply such as a disruption caused by a labor strike, we cannot assure you that we would be able to identify and enter into a relationship with an alternative manufacturer in a timely manner, on favorable conditions, or at all. The sudden loss of this supplier, or a temporary disruption or constraints on its capacity, could impair our ability to implement our designs, stock our stores and supply our wholesale customers.

In addition, we require Erak to maintain certain stocks of denim fabric dedicated to us in its warehouses to ensure that it is able to respond to our production needs quickly. To assist Erak in maintaining these stocks, we provide vendor financing of these raw materials through a running account. The advance provided account is adjusted monthly, at its highest point and during Fiscal Year 2016, it amounted to TL 16 million. We record these amounts on our consolidated statement of financial position as short-term prepayments. If Erak were to become insolvent, we might be unable to recover these advances.

We have been working with Ekol for six years. If Ekol ceased to operate completely or temporarily, or if we were unable to maintain or renew our relationship with Ekol, it could be difficult or impossible for us to identify and establish a relationship with a comparable logistics service provider in a timely manner, on favorable terms, or at all. In addition, Ekol uses one centralized warehouse to store a high volume of our inventory. Fire, theft, natural catastrophes such as earthquakes or floods and other external events that affect this warehouse could damage or destroy our products. Because inventory represents a substantial portion of our assets, this damage or destruction could result in material losses. We cannot assure you that any insurance that we or Ekol carry would be sufficient to cover these losses. Even if we are sufficiently covered by our insurance policies, the loss of a substantial portion of inventory could cause reputational damage and harm our relationship with both consumers and wholesale sales channels due to failure to deliver, or delays in, the delivery of our products, which could have a material adverse effect on our revenues.

Our franchise business is subject to risks not directly within our control that could impair the value of our brands.

We have various franchise relationships with unaffiliated entities to operate stores in Turkey and a number of other countries such as Armenia, Belarus, Croatia, Georgia, Ukraine and the United Arab Emirates. Under our international franchise arrangements, most of which are not reflected in written agreements, franchisees operate, or will operate, stores outside Turkey that sell apparel, ready-to-wear and related products under our brand name. The effect of these arrangements on our brand, business and results of operations is uncertain and will depend upon various factors, including the demand for our products in new markets internationally and our ability to successfully identify appropriate third parties to act as franchisees, distributors, or in a similar capacity.

In addition, certain aspects of these arrangements are not directly within our control, such as a franchisee’s financial stability and its ability to meet its projections regarding store locations, store openings, and sales. Other risks that may affect franchisees include general economic conditions in specific countries or markets, foreign exchange rates, changes in diplomatic and trade relationships, restrictions on the transfer of funds, and political instability.

Moreover, while the agreements we have entered into and plan to enter into in the future provide us with certain termination rights, the value of our brands could be impaired to the extent that franchisees do not operate their stores in a manner consistent with our requirements regarding our brand identities and customer experience standards.

Failure to maintain our reputation and brand image could negatively impact our results of operations.

Our brand has wide recognition, and our success has been due in large part to our ability to maintain, enhance and protect our brand image and reputation, and our customers’ connection to our brands. If we fail to maintain a good relationship with both our retail and wholesale customers, our reputation could suffer and our sales would decline. Our continued success depends in part on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. Even if we react appropriately to negative posts or comments about us or our brands on social media and online, our customers’ perception of our brand image and our reputation could suffer.

Our wholesale customers may not comply with our product quality, marketing and other requirements.

In addition to our directly operated mono-brand stores and those of our franchisees, we sell our products to wholesale customers that then on-sell our products to retail purchasers. Our wholesale customers include department store chains, corner stores and on-line retailers. In Turkey, wholesale revenue accounted for 22.2% of our Turkish revenue in Fiscal Year 2016. In addition, wholesale revenue accounted for 78.7% of our international revenue in that period.

Our wholesale customers are independent entities that we do not control. We cannot assure you that they will comply with the terms of our agreements with them or with the guidance we provide them on product quality, marketing and other requirements. Non-compliance with our quality and other requirements may include poor marketing practices or selling defective products along with our products in multi-brand stores. In many markets our ability to control the prices at which wholesale channels on-sell our products to consumers is limited. Our wholesale customers may also sell our products at prices that are not consistent with the market position we seek to achieve. Wholesale channels that fail to comply with our standards and guidelines, or that price our products contrary to our strategic goals, could harm our brand and reputation and, ultimately, materially reduce our revenues and profitability.

Further, we cannot guarantee that certain wholesale customers will not delay or fail to honor payments on agreed terms and conditions. Any such failure by wholesale customers to honor their contractual commitments may have an adverse effect on our business.

Our retail strategy to increase the number of our directly operated mono-brand stores and to expand floorspace at existing stores may be unsuccessful if we are unable to procure the retail space we need or if new and expanded stores fail to deliver the revenue and margins that we expect.

Under our retail strategy we seek to continuously increase the number of our directly operated mono-brand stores and to increase the average floorspace of our existing stores. Where feasible and appropriate we may also seek to expand the floorspace of existing stores. To open and operate new stores, or to expand existing stores, we must:

- identify desirable locations, the availability of which is out of our control;
- negotiate acceptable lease terms;
- efficiently build and equip the new or bigger stores and source sufficient levels of inventory to meet the needs of the new or bigger stores and successfully integrate the new stores into our existing operations;
- hire, train and retain competent store personnel; and
- respond to the fashion preferences of customers in these new geographic areas.

Although the large majority of our directly operated mono-brand stores are located in Turkey, substantially similar factors affect us in non-Turkish markets, such as Canada and Russia, in which retail expansion is an important part of our strategy.

Any of these challenges could prevent or delay our store openings or upgrades, prevent us from completing our new or enlarged store opening plans or hinder the operations of stores we do open. If our retail store expansion plans fail to meet our expected results, our overhead and other related expansion costs would stay stable without an offsetting increase in sales and net revenue, which could materially affect our profitability.

We do not own real property and rely on lease agreements for all our worksites.

We do not own real property. We lease from third parties the properties that we operate directly, including our corporate offices, warehouses, showrooms and our directly operated mono-brand stores. No single lease agreement is material to our business. However, lease agreements as a whole are material. We cannot assure you that we will be able to maintain our lease agreements on terms acceptable to us, or at all. Although lessors in Turkey generally cannot terminate a workplace lease agreement unilaterally, under certain circumstances the TCO may permit lessors to terminate a lease or apply to a court for an increase in rental fees. See "*Business—Facilities*". Further, we might not be able to renew at terms acceptable to us upon the expiry of a lease agreement or we may face increased rent. If a critical mass of our leases were terminated or not renewed other than at a time of our choosing and we were unable to rapidly replace them on favorable terms, we could incur significant expense, thereby reducing our margins and profitability.

Some of our lease agreements also contain change of control provisions that may be triggered upon changes to our shareholding structure. 15 of these lease agreements require the lessor's prior consent. Under three of the lease agreements, consent is at the lessor's discretion; under the remainder, the lessor may not unreasonably withhold consent. Others require us to inform the relevant lessor of the change of our shareholding or change in our control structure. Depending on the amount of shares sold in the Offering, among 15 lease agreements mentioned above that include change of control provisions, changes to our shareholder structure as a result of this Offering would require Mavi to obtain the necessary consents from the relevant lessors. If the lessors do not provide such consent, this could give lessors the opportunity to attempt to make us accept new terms that are less favorable to us.

We depend on our intellectual property.

Our success and competitive position depend significantly upon our trademarks, designs and other proprietary rights. We cannot assure you that the steps we take to establish and protect our trademarks in Turkey and worldwide will be sufficient. Unlike trademarks, the design, cut and overall look of apparel is difficult or impossible to protect under intellectual property laws. Counterfeiters may harm our sales and our brand image by selling copies of our products. Our legal remedies against counterfeiting may be inadequate. If counterfeiters copy our designs without using a protected trademark, we may have no effective remedy. Despite any precautions we may take to protect our intellectual property, policing unauthorized use of our intellectual property is difficult, expensive and time consuming, and we may be unable to adequately protect our intellectual property or to determine the extent of any unauthorized use, particularly in those foreign countries where the laws do not protect proprietary rights as fully as in developed markets.

We also cannot assure you that third parties will not assert rights in, or ownership of, trademarks and other proprietary rights of Mavi, that our proprietary rights would be upheld if challenged or that we would, in that event, not be prevented from using our trademarks, any of which could have an adverse effect on our financial condition and results of operations. Further, we could incur substantial costs in legal actions relating to our use of intellectual property or the use of our intellectual property by others. These costs could have an adverse effect on our financial condition even if we are successful in these actions.

We depend on our senior management team and other key employees, and the loss of one or more of our executive officers or key employees could materially and adversely affect our business.

Our success depends in large part upon the continued services of our key executive officers. Our contracts executed with our key personnel do not include a non-compete clause. We cannot assure you that any of our executive officers or key employees will continue their employment with us or that they will not start working with our competitors. Replacing one or more of our executive officers or other key employees would likely involve significant time and costs, and may delay or prevent the achievement of our business objectives.

Further, our ability to anticipate and effectively respond to changing apparel trends also depends in part on our ability to attract and retain key personnel in our design, product development, marketing, and other functions. In addition, several of our strategic initiatives, including our technology initiatives and supply chain initiatives require that we hire and/or develop employees with appropriate experience. Competition for these personnel is intense, and we cannot assure you that we would be able to hire a sufficient number of qualified personnel.

Some of the challenges we face in attracting and retaining employees include:

- preserving our company culture as we grow;
- continuing to attract and retain employees who share our values;
- promoting existing employees into leadership positions to help sustain and grow our culture;
- hiring employees in multiple locations globally;
- responding to competitive pressures and changing business conditions while maintaining our values; and
- integrating new personnel and businesses from acquisitions.

If we are unable to retain, attract, and motivate talented employees with the appropriate skill sets, or if changes to our organizational structure, operating results, or business model adversely affect morale or retention, we may not achieve our objectives and our results of operations could be adversely impacted. In addition, the loss of one or more of our key personnel or the inability to effectively identify a suitable successor to a key role could materially harm our business.

We may not be able to implement our strategy to grow successfully in the e-commerce channel.

For Fiscal Year 2016, sales through our e-commerce channel constituted 1.7% of our total consolidated revenue. Online businesses are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions and e-commerce may continue to increase its significance among the other channels in the retail industry and became a major channel. As we continue to grow our e-commerce operations, and the number of online customers who access our products through personal computers, mobile phones, smartphones, and handheld computers such as tablets continues to increase, we must continue to innovate and develop new products and features to meet changing customer needs. We need to continue to develop our skills, tools and capabilities to capitalize on existing and emerging technologies, which require us to devote significant resources.

Furthermore, as new devices and new platforms are continually being released, we may need to devote significant resources to develop, support and maintain appropriate versions of software (which is used for product sales) to be used on such alternative devices. If we are slow to develop products and technologies that are compatible with these alternative devices, or if our competitors are able to achieve those results more quickly than us, we will fail to capture a significant share of an increasingly important portion of the market for online sales.

Failure of our information technology and communication systems may disrupt our operations.

We depend on the continuing operation and availability of our information technology and communication systems and those of our external service providers. In particular, we rely materially on Promaks Yazılım Sanayi ve Ticaret A.Ş. for our enterprise resource planning ("**ERP**") system along with other tools used for efficiency and profitability. In the event of significant system failure we may experience loss of data or processing capabilities, disrupting our operations. These disruptions could cause us to lose customers, damage our reputation and materially reduce our revenue and profitability.

Our information technology and communications systems are vulnerable to damage or interruption from natural disasters, human error, malicious attacks, fire, power loss, telecommunications failures, computer viruses, computer denial of service attacks, terrorist attacks and other events beyond our control. We rely on internal systems and external systems maintained by third-party service providers to take and fulfill customer orders and host certain online activities. Any interruption or failure of our internal or external systems may prevent us from accepting and fulfilling wholesale customer orders or stocking our directly operated mono-brand stores or cause company and customer data to be unintentionally disclosed.

Our continuing efforts to upgrade and expand our network security and other information systems as well as our high-availability capabilities may be costly. In order to adapt to technological changes, we may in the future need to change our ERP system or other key software programs. We cannot assure you that we would complete such major changes to our IT systems quickly and without complications. Problems or delays in implementation could disrupt our operations and harm our ability to conduct and manage our business, potentially over an extended period.

We will be required to initiate the use of new generation payment recorder devices as of January 2018, instead of the cash register system which we currently use in our stores. Having problems while integrating these devices into our ERP system and on the working functions of these devices in the integrated system may lead to data or record ability loss which can disturb our activities.

A security breach resulting in third-party access to our customer information could materially disrupt our business, result in the disclosure of confidential information, significantly damage our reputation and cause material losses.

We host sensitive customer information and collect and maintain sensitive and personal information of our employees in the ordinary course of our business. The volume of sensitive and personal information that we collect has been increasing and will continue to increase as we further transition our businesses to connected services. We cannot assure you that the commercially available security technologies to protect this information and data, or the security and business control to limit access to and our use of such sensitive and personal customer information and data, will provide absolute security. As the accessibility of stolen identity information increases, we may experience additional instances of unauthorized and illegal access to our systems using our customers' stolen identity information in the future.

In addition, third parties may fraudulently induce employees, customers, or users to disclose sensitive information in order to gain access to our data or customers' data. The security measures that we implement may not be able to prevent access to our systems from unauthorized users who have fraudulently obtained our customers' personal information. In addition, because the techniques used to obtain unauthorized access change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. A major breach of our security measures or those of third parties that provide hosting services or have access to our sensitive and personal customer information may have materially negative consequences for our businesses, including possible fines, penalties and damages, reduced customer demand for our services and harm to our reputation and brands.

Our operations are subject to certain regulation and license requirements that are subject to change in the jurisdictions in which we operate.

Our business depends on the continuing validity of various licenses, on the issuance of new licenses or permits, and our compliance with the terms of our licenses, permits and relevant laws and regulations. Regulatory authorities in all of our markets exercise considerable discretion in the timing of license and permit issuance and renewal and in the monitoring of compliance with the terms of licenses and permits. Our business could be harmed if we fail to obtain necessary licenses; if we fail to comply with the terms of licenses and permits; if governmental authorities fail to issue the relevant licenses or permits or renew them in a timely manner; if governmental authorities cancel licenses and permits previously issued; or governmental authorities make the issuance of the licenses and permits that we need subject to onerous conditions.

We must obtain a workplace opening and operation license for our headquarters and for each office, store, and warehouse in Turkey. Because we continue to open new stores, the process of obtaining these licenses is ongoing. As at the date of this offering circular, we have not yet been able to obtain this license for 16 directly operated mono-brand stores in Turkey due to deficiencies caused by the buildings in which the stores are located. We have applied for licenses for our newly opened ten directly operated mono-brand stores in Turkey and the application process is ongoing. See "*Business—Regulatory and Licensing—Workplace Opening and Operation Licenses.*" If we are unable to obtain, maintain or renew the necessary workplace opening and operation licenses, governmental authorities could order us to close down the affected stores, which could materially reduce our revenues.

We are subject to environmental, occupational, health and safety, consumer protection and other laws and regulations, and amendments to or changes in the interpretations of such laws and regulations, or violations of such laws and regulations, could have an adverse effect on our business, financial condition and results of operations.

We are subject to environmental, occupational, health and safety, consumer protection and other laws and regulations in Turkey and other markets where we operate. We may incur additional costs or other liabilities to maintain compliance with changes in, or evolving interpretations of, such laws and regulations, to comply with more stringent enforcement of existing applicable requirements or to defend against challenges or investigations into alleged violations of such laws or regulations, even if such challenges or investigations are without merit. In addition, we may face a financial penalty in the event we are found to have violated the laws and regulations applicable to us, which would adversely affect our financial condition and results of operations. Similarly, any adverse publicity associated with any noncompliance may damage our reputation and ability to successfully market our products, which could also result in reduced sales volume, revenue and profitability.

If our insurance coverage is insufficient or our insurers are unable to meet their obligations, our insurance may not mitigate the risks facing our business.

Where appropriate, we seek to insure against business risks and protect many of our assets, products and associated profits by purchasing insurance. See "*Business—Insurance.*" The severity and frequency of various events, such as accidents and other mishaps, business interruptions or potential damage to the facilities of our suppliers or warehouses of our logistics services provider, and our products and equipment caused by inclement weather, human error, pollution, labor disputes, natural catastrophes and other eventualities, may result in losses, expose us to liabilities in excess of its insurance coverage or impair our reputation.

We cannot assure you that we will be able to obtain insurance on terms acceptable to us or at all since insurance varies in cost and can be difficult to obtain. Nor can we assure you that our insurance coverage will respond or be sufficient to cover the loss arising from any or all of the above events. In addition, even if our coverage is sufficient, the insurance industry is subject to credit risk, particularly in the event of a catastrophe or where an insurer has substantial exposure to a specific risk, which may expose us to losses.

The insurance policies we have may prove insufficient to cover any or all costs and financial awards we may be required to pay as a result of third party contractual or other liability claims. Claims which are not covered or which significantly exceed the insurance policy coverage, or for which insurance companies demand reimbursement for costs and financial judgments against us, could impose costs on us.

We may be subject to exchange rate risk associated with our different currency denominated revenue and operating expenses, liabilities and assets.

We generate most of our revenue and incur most of our operating and financial expenses in TL. However, we also generate revenue and incur expenses in other currencies, primarily the euro and the U.S. dollar. As a result, we are exposed to fluctuations in the exchange rates between the lira and these other currencies. In recent years, the lira has shown a general trend of depreciation against both the euro and the dollar.

The following table shows a breakdown of our total consolidated revenue in TL generated in various currencies for the period shown:

	Fiscal Year 2016	
Currency	**Revenue in thousand TL**	**Percentage of Total Revenue (%)**
TL	1,121,183	85.72
Euro and other European currency	100,133	7.66
US Dollar	48,407	3.70
Canadian Dollar	17,273	1.32
Australian Dollar	1,195	0.09
Russian ruble	19,742	1.51
Total	1,307,934	

We face currency risk in several areas:

- Rental payments under the leases for a majority of our directly operated mono-brand stores in Turkey are tied to the TL/U.S. dollar or TL/euro exchange rate. Most of these leases also include a rent-over-revenue ratio term. As a result, our actual rental payments in any given month are the higher of a fixed, foreign-currency tied amount or a percentage of store revenue in that month. If the foreign-exchange tied rental payment is higher than the relevant percentage of revenue of the relevant month, or in the case of such leases that do not include a rent-over-revenue ratio term, rental payments under euro- and dollar-denominated leases are invoiced in TL after converting the foreign currency tied rental amount into TL. In calculating the invoice, the lessor may use exchange rates set forth in the lease agreement, or lower rates that may be fixed by the relevant shopping mall or negotiated privately between lessor and lessee. As a result, a decline in the relative value of the lira against the euro or U.S. dollar triggers an increase in the rental fee. We cannot assure you that we will continue to be able, as we have historically been, to successfully negotiate waivers or reductions of these increases with our lessors.
- We have foreign-currency denominated financial debt. As at Fiscal Year End 2016, 48.6% of our consolidated financial debt was denominated in TL. A decline in the relative value of the TL against the relevant non-TL currency would increase our financial expenses recorded due to foreign exchange loss.
- We are exposed to transaction risk where there is a mismatch between the currencies in which we generate revenue and incur expenses relating to that revenue. In addition to the indirect transaction risk associated with our Turkish store leases, we face transaction risk primarily in relation to finished products imported into Turkey from abroad as well as denim fabric produced in Turkey exported abroad, both of which are typically invoiced in U.S. dollars and euro as a matter of market practice.
- As at Fiscal Year End 2016, on a consolidated basis, 20% of our sourcing of our products (based on our consolidated product procurement) was supplied from suppliers that are resident outside of Turkey. Suppliers outside of Turkey are paid in currencies other than TL.
- In addition, our results are subject to translation risk relating to our foreign subsidiaries. These subsidiaries generate revenue and incur expenses in their respective local currencies. We translate their revenue and expenses into lira on consolidation. All else being equal, a decline in the relative value of the lira against the relevant foreign currency increases the contribution of the subsidiary to our consolidated revenue and expenses.

If we are unable to adequately manage or limit our foreign currency exposure, we could incur material losses caused by exchange rate fluctuations.

If we are unable to manage our inventory effectively, our gross margins could decrease.

Fluctuations in the retail apparel markets affect the levels of inventory owned by apparel retailers. The nature of our business requires us to carry a significant amount of inventory, especially prior to peak selling periods when we build up our inventory levels. We must usually order our products well in advance of the relevant sale season and frequently before customer purchases confirm apparel trends. As a result, we are vulnerable to demand and pricing shifts and to suboptimal selection and timing of merchandise purchases. If sales do not meet expectations, too much inventory may cause excessive markdowns and, therefore, lower than planned margins. If we are unable to successfully manage our inventory, our gross margins could decrease while storage and logistic costs could increase.

The retail apparel business fluctuates according to changes in the economy and customer preferences, dictated by fashion and season. These fluctuations especially affect the inventory owned by apparel retailers because merchandise typically must be ordered in advance of the selling season. While we endeavor to test many merchandise items before ordering large quantities, we are still susceptible to changing fashion trends and fluctuations in customer demands.

In addition, the cyclical nature of the retail business requires that we carry a significant amount of inventory, especially during our peak selling seasons. We enter into agreements for the manufacture and purchase of our products in advance of the applicable selling season. As a result, we are vulnerable to changes in consumer demand, pricing shifts and the timing and selection of merchandise purchases. The failure to manufacture and purchase merchandise in a timely manner could, among other things, lead to a shortage of inventory and lower sales.

Certain portions of our wholesale sales in Turkey consist of consignee sales. Tracking the inventory in the main warehouse and various points of sale is subject to risks.

Our consignee business to wholesale customers includes delivery of Mavi products to points of sale and invoicing to end-customers in accordance with seasonal product orders. Tracking the inventory in consignees depends on regular settlement and the invoicing of sold products, both of which depend on human resource as well as IT systems. Accordingly, tracking the inventories held by consignee customers in various points of sale can be difficult and subject to potential errors. Further, our consignee business also includes risk with respect to recovering and return of the inventory provided to consignees in case they cannot sell such inventory.

After the Offering, some of our existing beneficial owners will continue to exercise effective control over Mavi. Their interests may not be aligned with our interests or those of other shareholders.

As of the date of this offering circular, the Akarlılar Family indirectly owns an aggregate of 46% of our share capital. The net proceeds to be received by the Selling Shareholder from the Offering are expected to be shared between TPEF II (through Blue International Holding Cöoperatie U.A.) and the Akarlılar Family (through MYN Ventures N.V.), resulting in a restructuring of the Selling Shareholder. Assuming all Offer Shares are sold, and depending on the final offer price to be determined within the offer price range, it is expected that this restructuring will give the Akarlılar Family indirect ownership of a majority of the shares of the Selling Shareholder. This majority may be up to 70.0% of the Selling Shareholder's share capital. Through its control of the Selling Shareholder, the Akarlılar Family will control the vote of all Class A Shares of Mavi and will effectively own between 22.5% and 31.5% of Mavi's issued share capital.

Pursuant to the agreement governing the relationship between the shareholders of the Selling Shareholder, MYN Ventures N.V. (as a vehicle for the Akarlılar Family) will be entitled to nominate two of the three directors appointed by the holders of Class A Shares and TPEF II will be entitled to nominate the remaining director. In addition, through its control of the vote of Class A Shares (which will represent 45.0% of Mavi's issued share capital after the Offering, assuming all Offer Shares are sold), the Akarlılar Family in practice will have significant influence over all matters presented to the General Assembly and will have certain veto rights with respect to extraordinary corporate actions, as described in "*Description of Our Share Capital – General Assembly*".

The interests of the Akarlılar Family, as our indirect controlling shareholder, may differ from those of our minority shareholders. The privileges attaching to the Class A Shares and the concentration of ownership may have the effect of delaying or deterring significant transactions which could benefit minority shareholders. In Turkey, the rights of minority shareholders and the fiduciary duties of directors and controlling shareholders are more limited than those in other countries such as the United States or the United Kingdom.

Furthermore, we have entered into, and expect to continue to enter into, various related-party transactions and agreements which are material to our business. During Fiscal Year 2016, we purchased 41.8% of our merchandise through a single manufacturer, Erak (together with its subsidiary Akay), which is controlled by our founder, Sait Akarlılar, and some of our indirect controlling shareholders are his close family members. Erak's interests as our primary manufacturer and the Akarlılar Family's interests may differ from or conflict with those of our minority shareholders, which could, in turn, adversely affect the value of the Offer Shares.

We provide letters of guarantee to landlords. In the event of our default on lease payments, the letters of guarantee may be liquidated which would negatively affect our business.

We lease all of our directly operated mono-brand stores and offices. We also lease certain stores in order to sublease such stores to our franchises. Providing a letter of guarantee under a lease agreement is a common practice in the market. As at Fiscal Year End 2016, the total amount provided under letters of guarantee to landlords was TL 39,968,322. In the event that we default on lease payments, the relevant letters of guarantee may be liquidated (i.e., the issuing bank pays the letter of guarantee amount to the landlord). In such case, the non-cash credit line provided for issuance of the letters of guarantee will become cash credit and accordingly the issuing bank will have recourse to us for the amount paid to the landlord and relevant commission and fees. If a significant amount of letters of guarantee are liquidated this may adversely affect our business and financial condition.

Risks Relating to Turkey

A substantial majority of our business operations and assets are based in Turkey, and we make most of our sales and purchases in the Turkish market. As a result, economic and political developments in Turkey affect our business and finances. Turkey is generally considered by international investors to be an emerging market. In general, investing in the securities of issuers such as ours that have operations primarily in emerging markets, such as Turkey, involves a higher degree of risk than investing in the securities of issuers with operations in the United States, European Union countries and similar jurisdictions. Additional risks and uncertainties relating to Turkey that do not currently exist or that we are unaware of may also become important factors that could have a material adverse effect on our prospects, business, financial conditions and results of operations.

Turkey has been, and we have been, and likely will continue to be, significantly negatively affected by uncertainty about the global macroeconomic environment.

Most economies around the world have begun to recover from the economic slowdown triggered by the global financial crisis, but doubts about the sustainability of the global economic recovery continue to materially affect the Turkish economy and our business. Economic growth in Europe remains weak, and many European economies continue to face structural challenges, with unemployment and structural debt levels remaining high. In the United States, potential changes to the U.S. Federal Reserve's monetary policy and the recent termination of its program to make large purchases of long-term financial assets to stimulate the U.S. economy (referred to as "quantitative easing") have increased levels of uncertainty for the global economic recovery. Markets, including Turkey, experienced volatility in 2016 amid concerns that the level of foreign investment inflows would decline substantially as the liquidity-enhancing measures in the United States were tapered down.

The United Kingdom held a referendum on June 3, 2016, in which a majority voted for the exit of the United Kingdom from the European Union (popularly referred to as "Brexit"). The United Kingdom started the formal procedure for leaving the European Union on March 29, 2017. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to the European Union markets either during the transitional period or on a permanent basis. Brexit could adversely affect European or worldwide economic markets and contribute to instability in global financial and foreign exchange markets, including volatility in the value of the euro. Any of these effects of Brexit could contribute to uncertainty or increase instability in the economic and financial markets worldwide.

Turkey's relations with Russia, Turkey's second largest trading partner, deteriorated after November 24, 2015, when the Turkish Air Force shot down a Russian warplane that, according to the Turkish government, had violated Turkish air space near the Syrian border. After this incident, Russia imposed economic and other sanctions against Turkey. These sanctions included the suspension of employment of Turkish workers in Russia, the suspension of Russia's visa-free travel agreement with Turkey and the imposition of restrictions on imports of certain Turkish goods into Russia. Travel agencies in Russia were also advised against selling holiday packages to Turkey. We cannot assure you that more recent moves by Turkey and Russia towards rapprochement will be entirely successful in easing the strained relations between the two countries.

Furthermore, since the global financial crisis, the Turkish unemployment rate has remained high (at 13.0% by the end of January 2017) (*Source: Turkstat*). The unemployment rate may increase in the future. Continuing economic uncertainty and high levels of unemployment may adversely affect our customers, particularly retail customers, reducing the amounts that they are willing or able to spend on our products.

Economic or political instability in Turkey may reduce the demand for our products and adversely affect our sales and earnings.

In spite of its economic development since 2001, Turkey has experienced occasional economic difficulties and remains vulnerable to both external and internal shocks, including terrorist activity, domestic political uncertainty and changing investor sentiment. High private sector debt levels and a substantial current account deficit may also contribute to economic vulnerability. Turkey was also negatively affected by the global economic downturn, which resulted in a negative GDP growth rate of 4.8% in 2009. In addition, the Turkish economy has experienced significant inflationary pressures, which is mainly caused by devaluation of TL in the past and may be subject to similar pressures in the future, especially if there are significant global increases in the price of major commodities.

It is not certain whether Turkey will be able to remain economically stable during any periods of renewed global economic weakness or whether Turkey and the International Monetary Fund will enter into a new agreement in relation to macroeconomic stabilization policies. Even if Turkey entered into such an agreement with the International Monetary Fund, it is not certain whether such agreement would help Turkey to remain economically stable during any current or future macroeconomic imbalances or whether the International Monetary Fund's support of Turkey would continue.

Turkey has been a parliamentary democracy since 1923. Historically, unstable coalition governments were common, with political disagreements frequently resulting in early elections. Furthermore, the Turkish military establishment has, historically, played a significant role in Turkish government and politics, intervening in the political process in 1960, 1971 and 1980.

On July 15, 2016, the Turkish government was subject to an attempted coup by a group within the Turkish army. The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control.

On July 20, 2016, the government declared a three month state of emergency in the country, entitling the government to exercise additional powers. The Grand National Assembly of Turkey extended the state of emergency three times subsequently. The latest extension was approved on April 19, 2017, which extended the state of emergency for an additional three month period starting from April 19, 2017. Under Article 120 of the Turkish Constitution, in the event of serious indications of widespread acts of violence aimed at the destruction of the free democratic order, a state of emergency may be declared in one or more regions of, or throughout, the country for a period not exceeding six months; however, this period may be extended. The state of emergency entitles the government to exercise additional powers. The government has arrested, discharged or otherwise limited, in the aggregate, thousands of members of the military, the judiciary and the civil service and otherwise taken actions in response to the coup attempt, and these actions have expanded to include members of the business community allegedly linked to cleric Fethullah Gülen.

Government investigations with respect to the attempted coup are on-going. There may be further arrests and actions taken by the government in relation to these investigations, including changes in policies and laws.

The impact on political and social circumstances following the attempted coup and its aftermath (including rating downgrades of Turkey) have been significant and could reasonably be expected to have a material adverse impact on the Turkish economy (including the value of the TL, international investors' willingness to invest in Turkey and cost of financing and domestic demand), our business, liquidity and/or conditions (financial or otherwise) and the trading price of the Offer Shares.

On April 16, 2017, a majority of Turkish voters approved a referendum amending certain articles of the Turkish Constitution. The amendments expand the powers of the president to create an executive presidency. Following the entry into force of the package of constitutional amendments:

- the current parliamentary system will be transformed into a presidential system;
- the president will be entitled to be the head of a political party and to appoint the ministers;
- the office of the prime minister will be abolished;
- the parliament's right to interpellate ministers (that is, to submit questions requesting explanation of an act or a policy) will be annulled;

- the president will be entitled to issue decrees as the head of the government; and
- the president will be entitled to dissolve parliament and call for new general elections along with presidential elections.

The next general and presidential election is scheduled to take place in November 2019.

In July 2016, Standard & Poor's lowered Turkey's sovereign credit rating to BB/B from BB+/B, citing the polarization of Turkey's political landscape as one of the main reasons for the rating downgrade. Further, on January 27, 2017, Standard & Poor's revised the outlook of Turkey from "stable" to "negative".

In September 2016, Moody's also lowered Turkey's credit rating to Ba1, citing the increased risks related to Turkey's external funding requirements and the weakening in previously supportive credit fundamentals. Any real or perceived instability in the government and political environment in Turkey may adversely affect the business climate in Turkey and the Turkish economy, which may in turn adversely affect our business strategies and plans for expansion within Turkey. Further, in March 2017, Moody's changed the outlook of Turkey from "stable" to "negative". On January 27, 2017, Fitch downgraded Turkey's sovereign credit rating to sub-investment grade. These changes may materially adversely affect our ability to obtain financing and may result in an increase in our borrowing costs.

Turkey's high current account deficit may result in government policies that negatively affect our business.

Although Turkey's growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon trade with Europe. A significant decline in the economic growth of any of Turkey's major trading partners, such as the European Union, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the European Union remains Turkey's largest export market. A decline in demand for imports into the European Union could have a material adverse effect both on Turkish exports and Turkey's economic growth, resulting in an increase in Turkey's current account deficit. To a lesser extent Turkey also exports to markets in the Middle East. Continuing political turmoil in some of those markets, ongoing low prices for crude oil and a decreased number of tourists due to unrest and wars as well as terrorism threats in the Middle East could lead to a decline in demand for imports into these markets, with a similar negative effect on Turkish economic growth and Turkey's current account deficit. The recent downgrading of Turkey's investment ratings and outlook may also adversely affect foreign investments, and in turn, the current account deficit.

Turkey's economy has been subject to significant inflationary pressures in the past and might become subject to significant inflationary pressures in the future.

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 69.7% in the early 2000s. However, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year consumer price index to decrease to 6.5% at the end of 2009, which then increased to 10.5% in 2011, the highest level in five years. Consumer price inflation was 8.2%, 8.8% and 8.5% in 2014, 2015 and 2016 respectively, with producer price inflation during those years at 6.4%, 5.7% and 9.9%, respectively. The volatility of global prices of major commodities such as oil, cotton, corn and wheat might increase supply-side inflation pressures throughout the world and might result in Turkish inflation exceeding the Central Bank's inflation target. The increase in inflation was principally due to the pass-through to consumers of exchange rates, an increase in food prices and an increase in taxes. Notwithstanding that the consumer price inflation exceeded the Central Bank's inflation target of 5.0%, the Central Bank set the inflation target at 8.5% and 6.4% for 2017 and 2018 respectively on April 28, 2017. Inflation-related measures that may be taken by the Turkish government and the Central Bank could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to continue to fluctuate or increase significantly, this could have a material adverse effect on our business, financial condition and results of operations.

Turkey is affected by regional unrest.

Turkey is located in a region that has been subject to ongoing political and security concerns. In the recent past, Turkey has been subject to attacks by various Islamist and separatist terrorist groups resulting in fatalities and casualties.

For example, on June 28, 2016, terrorists believed to be associated with the so-called Islamic State, or ISIS, attacked the Istanbul airport. On December 10, 2016 there were two explosions outside the Vodafone Arena stadium in central Istanbul, with separatist terrorists claiming responsibility. On January 1, 2017, a gunman attacked a nightclub in Istanbul, with ISIS later claiming responsibility for the attack.

In addition, on August 24, 2016, Turkey began military operations in Syria in an effort to remove ISIS from the Turkish-Syrian border. These operations might lead to retaliatory attacks by terrorist groups, such as ISIS or others, and may create an additional security risk in Turkey. There is on-going tension in the region, which was elevated following a request by Iraq on October 5, 2016 for the U.N. Security Council to hold a meeting to discuss the presence of Turkish troops in northern Iraq and certain Syrian border regions.

Regional unrest, heightened terrorist activity and their coverage in the international media have harmed the tourism industry in Turkey, resulting in decreased revenues. In particular, touristic areas such as Istiklal Avenue in the Beyoğlu area of Istanbul have been adversely affected by the decrease in the number of foreign arrivals to Turkey. In addition, certain sectors of the Turkish economy, such as construction, iron and steel, have operations in the Middle East and North Africa, with companies active in these sectors potentially being harmed by instability in those countries. These developments have had, and could continue to have, a negative effect on the Turkish economy. Any resulting downturn in the Turkish economy could reduce customers' willingness or ability to buy our products, which could materially reduce our revenues.

Earthquakes and other catastrophic events could damage our facilities and harm the Turkish economy in general.

Turkey is a high-risk earthquake zone. In particular, Istanbul, where we have our headquarters and many retail stores, is located in a first degree earthquake risk zone, that is, a region with the highest level of risk of damage from earthquakes. In addition to a significant number of the factories of our suppliers, a large portion of Turkey's population and most of its economic resources are located in a first degree earthquake risk zone. A severe earthquake in or around any of the cities in which our suppliers' factories are located could adversely affect one or more of our facilities, therefore causing an interruption in, and a material adverse effect on, our business. We could also be affected by other natural or man-made disasters such as hurricanes, heavy storms, terrorism, riots, fires and explosions, an outbreak of pandemic disease and other catastrophes.

Our inventory is stored at a single warehouse in Turkey. Because our inventory represents a substantial portion of our assets, an earthquake or other disaster that destroys or substantially damages one of these warehouses could cause us to incur a material loss. Our insurance policies may not compensate us adequately, or at all, for the damage that these events cause.

We are subject to risks associated with doing business in an emerging market.

Turkey is still considered by international investors to be an emerging market. In general, investing in the securities of issuers with substantial operations in emerging markets, like Turkey, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the European Union or other similar jurisdictions.

Emerging markets are subject to a greater risk of being perceived negatively by investors based on external events than more-developed markets, and financial turmoil in any emerging market (or global markets generally) could disrupt the business environment in Turkey. Moreover, financial turmoil may adversely affect stock prices and prices for debt securities if investors move their money to more economically developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. As a result, the Offer Shares may be subject to fluctuations in price that may not necessarily be related to economic conditions in Turkey or our financial performance. Turkey has been adversely affected by such contagion effects on a number of occasions in the past, including following the financial crises in 1994 and 2000 to 2001. There can be no assurance that investors' interest in Turkey will not be negatively affected by events in other emerging markets or the global economy in general.

Risks Relating to an Investment in the Offer Shares

The Offer Shares may experience price and volume fluctuations.

Following the Offering, there can be no assurance that a market for the Offer Shares will develop or, if such a market does develop, that it will continue. In addition, the liquidity of any market for the Offer Shares will depend on the number of holders of the Offer Shares, the interest of securities dealers in making a market in the Offer Shares and other factors. An active trading market may not develop or be maintained, which may adversely affect investors' ability to trade the Offer Shares purchased in the Offering. The limited public market for the Offer Shares may impair holders' ability to sell the Offer Shares in the amount and at the price and time as such holders may wish, and may increase the volatility of the price of the Offer Shares.

The Offer Price may not be indicative of the market price for our Offer Shares in the current market or future performance. Moreover our operating results or financial performance may fail to meet the expectations of analysts or investors due to the circumstances described in these risk factors or otherwise. The trading price of the Offer Shares could also be subject to significant fluctuations in response to variations in both our and our competitors' financial performance, global macro-environment, activities of competitors and other factors as well as the circumstances described in these risk factors or otherwise. Fluctuations in our operating results or failure to meet the expectations of analysts or investors may cause the price of the Offer Shares to decline, and investors may not be able to sell the Offer Shares they purchased in the Offering at or above the Offer Price, or at all. As a result, investors who purchase Offer Shares in this Offering could lose all or part of their investment in the Offer Shares.

The value of the Offer Shares may be subject to significant fluctuation from time to time, which may not necessarily be related to our financial performance or expectation of future earnings. Consequently, the general decline in the market or any declines in the market for similar securities may have a material adverse effect on the trading market for, and the liquidity of, the Offer Shares.

Borsa Istanbul is smaller and less liquid than other major exchanges and may be more volatile, which may adversely affect the ability to trade the Offer Shares purchased in the Offering.

The only trading market for the Offer Shares will be Borsa Istanbul, and we have no plans to list the Offer Shares on any other stock exchange in the near future. With a total market capitalization of approximately TL 730,662.03 million as of April 2017, Borsa Istanbul is considerably smaller and thus less liquid than more developed securities markets, such as those in the United States or England. In addition, a disproportionately large percentage of the market capitalization and trading volume of Borsa Istanbul is represented by a small number of listed companies. As of April 2017, 412 companies were traded on Borsa Istanbul, with the ten largest companies by market capitalization representing approximately 40.21% of the total market capitalization of Borsa Istanbul. The average daily trading volume in the shares of the ten most traded companies on Borsa Istanbul amounted to TL 2,503 million in the first quarter of 2017, representing approximately 52.70% of the average daily trading value of all stocks traded on Borsa Istanbul during that period.

Borsa Istanbul is also a volatile market, which is illustrated by BIST-100 index figures that have fluctuated between 21,228 and 94,635 from January 1, 2005 to April 31, 2017. Trading on Borsa Istanbul has traditionally been characterized by a high degree of short-term speculative trading, which is at least partially attributable to the relatively underdeveloped institutional investor base in Turkey and the relatively small size of the retail investor base. As is the case for the equity securities of many emerging market issuers, the market value of the Offer Shares may be subject to significant fluctuations, which may not necessarily be related to our consolidated financial performance. The relatively small size and low liquidity of Borsa Istanbul in general and the limited public market for the Offer Shares in particular may impair the ability of holders of the Offer Shares to sell them in the amount and at the price and time when a holder may wish to do so, and may increase the volatility of the price of the Offer Shares. See "*The Turkish Securities Market—Market Volatility*."

Future sales of substantial amounts of the Offer Shares, or the perception that such sales could occur, could adversely affect the market value of the Offer Shares.

We and the Selling Shareholder have agreed with the International Managers that, subject to certain exceptions, neither we nor the Selling Shareholder will sell any Shares for a period of 180 days, with respect to the Company, and 180 days, with respect to the Selling Shareholder, from the date of this offering circular. See "*Plan of Distribution*." After the end of this period, we and the Selling Shareholder may make sales of Shares. Any such sales, whether by us, the Selling Shareholder or others, or the perception that such sales could occur, could adversely affect both the market value of the Offer Shares and our ability to raise capital through future capital increases.

A holder of the Offer Shares may have limited recourse against our assets and our directors and executive officers because we conduct our operations in Turkey.

We are incorporated under the laws of Turkey. All of our Board of Directors and our executive officers reside in Turkey. Our assets and the assets of the directors and executive officers are located principally in Turkey. As a result, investors may not be able to affect service of process upon us or our directors and executive officers outside of Turkey, or to enforce court judgments obtained against us or our directors and executive officers in jurisdictions outside Turkey. See "*Enforceability of Civil Judgments.*"

We may not pay dividends to holders of our shares or declare dividends in the future.

Public companies in Turkey distribute dividends in accordance with Turkish law, their articles of association and the dividend policies adopted by their shareholders, which are prepared in accordance with certain principles set forth by the CMB. Public companies may, at their discretion, distribute dividends in the form of cash and/or bonus shares, or retain the mandatory dividend amount. The actual payment and form of future dividends, if any, and the amounts thereof, will depend on a number of factors including, but not limited to: our achieving adequate profits; the amount of distributable profits and reserves; working capital requirements; finance costs; capital expenditure and investment plans; earnings; our level of profitability; ratio of debt to equity; the level of dividends paid by other comparable listed companies doing business in Turkey; the dividend objectives and expectations of our shareholders and such other factors as our Board of Directors may deem relevant in its discretion from time to time.

Even if we generate significant profits, we may not pay dividends if the Board of Directors believes that shareholder value may be increased more effectively by using any such profit for other purposes, for example through re-investment or in acquisitions. As a result, our ability to pay dividends in the future may vary and could be limited.

Fluctuations in the value of the TL could significantly affect the value of the Offer Shares, our net income and any dividends we pay with respect to the Offer Shares.

The quoted price of the Offer Shares will be in TL. In addition, the dividends, if any, that we pay in respect to the Offer Shares, will be paid in TL. We also generate most of our revenue in TL. As a result, fluctuations in the value of the TL in relation to other currencies can affect the value of the Offer Shares, the amount of our net income and dividend payments upon conversion into other currencies for investors outside Turkey. See "*Dividends and Dividend Policy*."

Shareholders in certain jurisdictions may not be able to participate in future equity offerings.

Turkish law provides for pre-emptive rights to be granted to our existing shareholders of the Company in case of a future issue of shares by the Company, which can be limited through a Board of Directors or General Assembly resolution, as the case may be. See "*Description of Our Share Capital—Pre–Emptive Rights*." However, securities laws of certain jurisdictions may restrict the Company's ability to allow participation by shareholders in future offerings. In particular, holders of the Shares in the United States may not be entitled to exercise these rights, unless the Shares and any other securities that are offered and sold are registered under the Securities Act, or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. We cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable U.S. or other shareholders to exercise their pre-emptive rights or, if available, that we will utilize any such exemption.

Turkish disclosure standards may require a lesser amount of disclosure than rules in certain other countries.

The accounting, financial, corporate governance and other disclosure standards applicable to public companies in Turkey are less exhaustive than those in the European Union, the United States or in other jurisdictions with major capital markets. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the European Union, the United States or in other similar markets and any information that is published must be presented in Turkish. Certain disclosure rules and limited corporate governance standards have been adopted recently, but their interpretation and application are still evolving. Many aspects of laws and regulations in Turkey relating to public companies and the capital markets have not yet been subject to judicial or regulatory interpretation or review and are therefore still subject to certain uncertainties with respect to their applications. See "*Presentation of Financial and Other Information*," "*Description of Our Share Capital*," and "*The Turkish Securities Market.*"

DIVIDENDS AND DIVIDEND POLICY

The following is a description of certain information relating to the payment of dividends, including requirements under the TCC, the Capital Markets Law, the CMB regulations and our articles of association.

As a public company in Turkey, we will be subject to the dividend distribution requirements imposed by the CMB, as described below. The timing and amount of any future dividend payments will depend on our existing and future financial condition, results of operations, liquidity needs and other matters that we may consider relevant from time to time, including, without limitation, capital expenditures, our financial performance and equity market conditions. See "*Risk Factors—Risks Relating to an Investment in the Offer Shares—We may not pay dividends to holders of our shares or declare dividends in the future.*"

Pursuant to the Capital Markets Law, public companies are required to have a dividend distribution policy which must be determined by the general assembly of shareholders of the relevant company. Pursuant to the mandatory provisions of the Communiqué on Dividend Distribution II-19.1 of the CMB, the dividend distribution policy is required to consist of information as to whether the public company will distribute dividends and if so, the relevant dividend distribution ratio, form of payment, timing of dividend distribution and whether interim dividends will be paid by the public company. Based on the non-mandatory provisions of the Corporate Governance Principles (as defined herein) the dividend distribution policy should include the minimum information allowing the investors to foresee the procedures and the principles that will apply to the distribution of profits in the upcoming periods.

Dividend Policy

Our policy is to pay dividends when permitted by applicable regulations and our articles of association. Our dividend policy has been approved by our Board of Directors and will be submitted for shareholder approval at the first meeting of the shareholders (the "**General Assembly**") following the Offering. Our policy, if approved by our General Assembly, will be to distribute at least 30% of our distributable net profit in cash, in the form of bonus shares or a combination of the two. Our Board of Directors will submit a dividend distribution proposal for the approval by our shareholders in each ordinary General Assembly by taking into consideration the long-term strategies, financing needs, short term liabilities and the conditions under our agreements and our profitability. In accordance with applicable law, we may consider making interim dividend payments or making the dividend payment in installments.

Dividends Paid

The following table shows our dividends paid in respect of the periods indicated:

	Fiscal year		
	2014	**2015**	**2016**
	(*thousand TL except for pay-out ratio*)		
Dividend (Gross)	28,445	—	—
Witholding Taxes	(2,845)	—	—
Dividend (Paid)	**25,600**	**—**	**—**

A dividend of TL 0.52 per share (in the total net amount of TL 25.6 million) was paid to shareholders as at Fiscal Year End 2014, in relation to the profits we generated in the fiscal year ending January 31, 2013.

Regulatory and Legal Framework

In line with the dividend distribution policy to be determined by our General Assembly and the provisions of Turkish law, the distribution of profits and the payment of any annual dividend in respect of the preceding financial year will be recommended by our Board of Directors each year for approval by the shareholders at the annual (ordinary) General Assembly, which must be held within three months following the end of the preceding financial year. Dividends are payable on a date and in the form determined at the annual General Assembly, and the General Assembly cannot rescind a dividend distribution decision once it is adopted. Each share entitles its holder to a pro rata share of any dividends distributed and dividend distributions are made to all shares existing as at the distribution date, regardless of their date of issuance. Public companies have the option to distribute dividends in the form of cash or in the form of bonus shares to the shareholders, to distribute a combination of cash and bonus shares, or to retain all or part of their earnings for the relevant financial year as retained earnings, to make their payments as lump sum or in installments subject to the limitations discussed below.

Distributable profits are calculated in accordance with our articles of association after deducting all expenses, depreciation and similar payments and setting aside legally required reserves, taxes and the previous year's losses, if any, from the revenues for the prior fiscal period. The amount of distributable profits is the lesser of the amounts derived by performing this calculation using (i) our financial statements prepared in accordance with Turkish tax legislation and (ii) our accounts prepared in accordance with CMB regulations.

Distributable profits are then allocated in the following order:

(a) 5.0% of the distributable profit is allocated to a first legal reserve until the first legal reserve reaches 20.0% of our paid-in capital;

(b) the remaining amount after adding the value of any donations made within the relevant annual term will be distributed to our shareholders as a first dividend in accordance with the TCC and Turkish capital markets regulations;

(c) the remainder of the distributable profit may be (i) distributed to our board members, officers, employees as a share of our profit or distributed to the foundations or similar institutions established for various purposes or (ii) distributed in full or in part to our shareholders as a second dividend or set aside as year-end profits or as part of non-mandatory reserves; and

(d) after deducting an amount equal to 5.0% of our paid in capital from the amount to be distributed to shareholders and persons participating in profit as stated above in (b), we allocate 10.0% of the remaining amount as a second legal reserve and add it to the statutory reserve.

Unless and until the statutory funds and other financial obligations required by law are set aside and the dividend determined in accordance with the articles of association is distributed in cash or as bonus shares, we cannot resolve (i) to set aside any reserve, (ii) to transfer a dividend to the next year or (iii) to make distributions to the members of our Board of Directors, managers, employees and foundations or similar institutions established for various purposes.

If the calculated first dividend amount is less than 5.0% of the paid in capital, we may not distribute the first dividend. However the amount retained will be added to the calculation of the first dividend for the following fiscal year.

Pursuant to the Capital Markets Law and the Communiqué on Dividend Distribution II-19.1, each interim dividend to be distributed cannot exceed 50.0% of the net profit shown in the interim period financial statements remaining after deducting the previous years' losses and statutory reserves and the total amount of interim dividends cannot exceed the lower of (i) 50.0% of the net profit of the previous year, or (ii) except for net profit, other sources usable for profit distribution in the relevant interim period. No dividends or additional interim dividends can be distributed until the interim dividends of the previous year are completely set off. Pursuant to the provisions of the Communiqué on Dividend Distribution II-19.1, public companies may distribute interim dividends in accordance with the following criteria:

(a) Any interim dividends previously paid must be deducted from the amount used to calculate any subsequent interim dividend payments within the same fiscal year;

(b) The articles of association of the company must permit the distribution of interim dividends and the general assembly must authorize the board of directors to declare such distributions, for each year that they wish to have interim dividend distributions;

(c) The dividend distribution policy of the company should allow for the distribution of interim dividends;

(d) Once authorized by the general assembly, the board of directors must decide on whether to distribute interim dividends and disclose such decision to the public at the time interim financial statements are disclosed to public (which is 40 days for consolidated financial statements following the completion of the relevant interim period in accordance with Financial Reporting Communiqué of the CMB);

(e) Holders of privileged classes of shares are entitled to receive interim dividends the same as other shareholders holding regular classes of shares; and

(f) Any non-shareholders entitled to receive dividends are not allowed to receive interim dividends.

As at the date of this offering circular, our articles of association authorize our General Assembly to decide whether to distribute interim dividends to our shareholders, subject to the Capital Markets Law.

Under Turkish law, the statute of limitations in respect of dividend payments, including interim dividends, is five years following the date of the general assembly of shareholders that approved the distribution, after which time uncollected dividends are transferred to the Republic of Turkey Prime Ministry Undersecretariat of Treasury.

Dividend Currency

To the extent we declare cash dividends in the future, we will pay those dividends solely in TL. As the value of the TL fluctuates continuously, a holder of shares in the Company will be exposed to currency fluctuations generally and particularly between the date on which dividends are declared and the date on which dividends are paid. See "*Exchange Rates*" and "*Risk Factors—Risks Relating to an Investment in the Offer Shares—Fluctuations in the value of the TL could significantly affect the value of the Offer Shares, our net income and any dividends we pay with respect to the Offer Shares.*"

Taxation of Dividends

Under current Turkish regulations, any dividends or other distributions paid in respect of any of our shares will be subject to withholding taxes. The withholding tax rates may be reduced pursuant to tax treaty provisions. See "*Taxation—Turkish Taxation*."

USE OF PROCEEDS

The gross proceeds from the Offering will be TL 1,174.4. We will not receive any proceeds from the Offering, all of which will be entirely at the disposition of the Selling Shareholder. We expect to incur approximately TL 5.4 million in expenses in connection with the Offering.

CAPITALIZATION

The following table sets forth our capitalization and indebtedness as at Fiscal Year End 2016. You should read this table in conjunction with "*Presentation of Financial and Other Information,*" "*Summary Historical Financial Data*" and "*Management's Discussion and Analysis of Results of Operations and Financial Position*" and our Financial Statements and the notes thereto included elsewhere in this offering circular.

	Fiscal Year End 2016
	(thousand TL)
Cash and cash equivalents	**158,056**
Short term financial liabilities	151,687
Short term portion of long term financial liabilities	79,128
Long term financial liabilities	105,209
Total financial liabilities	**336,024**
Paid in capital	49,657
Reserves[1]	(16,720)
Retained earnings	115,797
Non-controlling interests	(8,235)
Total equity	**140,499**
Total capitalization	**476,523**

1) Consists of legal reserves, other reserves, purchase of share of entities under common control, foreign currency translation reserves and re-measurement of defined pension plans.

Except as described in this offering circular, there have not been any significant changes in our capitalization since Fiscal Year End 2016.

SELECTED HISTORICAL FINANCIAL INFORMATION

We have derived the selected financial information provided below from our Financial Statements prepared in accordance with IFRS. KPMG have audited our annual consolidated financial statements as at Fiscal Year End 2014, Fiscal Year End 2015 and Fiscal Year End 2016, as stated in their report included elsewhere in this offering circular. See "Presentation of Financial and Other Information."

You should read this selected financial information together with "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Financial Statements, including the related notes, that you will find in this offering circular beginning on page F-1.

Consolidated Statements of Profit or Loss

	Fiscal year		
	2014	**2015**	**2016**
		(thousand TL)	
Revenue	895,071	1,052,807	1,307,934
Cost of sales	(460,226)	(528,395)	(640,915)
Gross profit	**434,845**	**524,412**	**667,019**
Administrative expenses	(47,657)	(55,615)	(76,670)
Selling and marketing expenses	(294,614)	(357,951)	(448,336)
Research and development expenses	(14,555)	(15,662)	(18,657)
Other income	713	2,819	1,924
Other expenses	(4,535)	(7,218)	(1,601)
Operating profit	**74,197**	**90,786**	**123,680**
Finance income	2,243	11,112	15,311
Finance costs	(47,686)	(55,838)	(70,531)
Net finance costs	**(45,443)**	**(44,726)**	**(55,220)**
Profit before tax	**28,754**	**46,060**	**68,460**
Income tax expense	(9,869)	(12,607)	(16,647)
—Tax expense	(5,366)	(13,140)	(15,524)
—Deferred tax income / (expense)	(4,504)	533	(1,123)
Profit	**18,885**	**33,453**	**51,813**

Consolidated Statements of Financial Position

	Fiscal Year End		
	2014	2015	2016
		(thousand TL)	
Assets			
Current assets			
Cash and cash equivalents	92,176	111,374	158,056
Trade receivables	78,415	74,660	109,381
Other receivables	14,129	13,116	21,491
Derivatives	334	2,943	7,336
Inventories	154,724	177,346	287,844
Other(1)	32,041	32,505	41,271
Total current assets	**371,819**	**411,944**	**625,380**
Non-current assets			
Other receivables	1,249	1,342	2,013
Property and equipment	100,218	114,808	136,579
Intangible assets	12,316	14,531	55,551
Other(2)	9,798	8,843	74,445
Total non-current assets	**123,581**	**139,524**	**268,589**
Total assets	**495,400**	**551,468**	**893,969**
Liabilities			
Current liabilities			
Loans and borrowings	146,601	146,921	230,815
Trade payables	199,977	213,723	299,516
Payables to employees	12,335	15,025	14,849
Other(3)	21,258	26,595	86,415
Total current liabilities	**380,171**	**402,263**	**631,594**
Non-current liabilities			
Loans and borrowings	44,556	42,475	105,209
Other payables	6,849	8,073	—
Other(4)	2,175	3,031	16,667
Total non-current liabilities	**53,580**	**53,579**	**121,876**
Total liabilities	**433,751**	**455,843**	**753,470**
Equity			
Share capital	49,657	49,657	49,657
Reserves	(23,022)	(22,374)	(16,720)
Retained earnings	35,014	68,342	115,797
Equity attributable to owners of the Company	61,649	95,625	148,734
Non-controlling interests	—	—	(8,235)
Total equity	**61,649**	**95,625**	**140,499**
Total equity and liabilities	**495,400**	**551,468**	**893,969**

(1) Consists of short-term prepayments, current tax assets and other current assets.
(2) Consists of goodwill, long-term prepayments and deferred tax assets.
(3) Consists of other short-term payables, current tax liabilities, provisions, short-term deferred revenue and other current liabilities.
(4) Consists of provisions, long-term deferred revenue and deferred tax liabilities.

Summary Consolidated Statements of Cash Flow

	Fiscal Year		
	2014	2015	2016
		(thousand TL)	
Net profit for the year	18,885	33,453	51,813
Reconciling for non-cash items	79,898	102,539	119,708
Changes in working capital items	20,917	(7,949)	(24,327)
Employee benefits and income tax paid	(9,342)	(15,084)	(19,289)
Net cash from operating activities	110,358	112,959	127,904
Net cash used in investing activities	(60,423)	(55,612)	(77,794)
Net cash used in financing activities	(30,378)	(38,590)	(6,084)
Net increase in cash and cash equivalents	19,557	18,758	44,027
Cash and cash equivalents at the beginning of the period	72,490	92,047	110,805
Cash and cash equivalents at the end of the period	92,047	110,805	154,832

CONDENSED COMBINED PRO FORMA FINANCIAL INFORMATION

Acquisition of Mavi USA and Mavi Canada

On August 12, 2016, we acquired 51.0% of the shares and voting rights of Eflatun from Fatma Elif Akarlılar, Seyhan Akarlılar and Ragıp Ersin Akarlılar. Eflatun holds 100% and 75%, respectively, of the shares of Mavi USA and Mavi Canada. Eflatun is a holding company; as at both the date of acquisition and as at Fiscal Year End 2016, its interests in Mavi USA and Mavi Canada constituted substantially all its assets. On the acquisition date, we paid an initial cash consideration of $5.75 million for our 51% controlling interest in Eflatun. We included an additional contingent consideration liability of $8.58 million at the date of acquisition. See "*Related Party Transactions—Eflatun Acquisition*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Contractual Commitments*" and Note 4 to the Financial Statements.

In April 2017, the contingent consideration was calculated based on a formula defined in the share purchase agreement. Accordingly, we incurred a payment liability in the amount of $9.35 million equaling to positive difference between $15.35 million (51% of Eflatun's enterprise value minus 51% of Eflatun's net debt) and $6 million (initial purchase price plus $0.25 million). As contingent consideration, we paid $9.35 million to the former controlling party on May 17, 2017.

In addition to the additional contingent payment described above, if our shareholding structure changes 35% or more (an "**Exit**"; including the Offering) prior to April 2018, we will pay to the sellers in cash any positive difference between the EBITDA multiplier used at Exit and the EBITDA multiplier of 10 times 51% of Eflatun's EBITDA. The sellers will pay to us in cash any negative difference between these values. Accordingly, depending on the price of the Offer Share and assuming all Offer Shares are sold the difference payment is expected to be up to a maximum of $13,000,000. However, if the Exit is realized on or after April 1, 2018, neither we nor the sellers will be entitled to receive the difference payment described herein.

Pro Forma Effect of the Acquisition of Mavi USA and Mavi Canada

The following unaudited condensed combined pro forma financial information has been prepared to illustrate the impact on the consolidated financial statement of our profit or loss and other comprehensive income and financial data for Fiscal Year 2016, of the acquisition of the 51% interest in Eflatun. The unaudited condensed combined pro forma financial information presented does not include the impact of the activity of Eflatun, as a holding company and parent company of Mavi USA and Mavi Canada, as such activity is deemed immaterial.

The unaudited condensed combined pro forma financial information is presented to illustrate the estimated effects of the acquisition on our historical results of operations as if it had occurred on February 1, 2016. The information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation, and is not intended to represent or be indicative of the results of operations of financial condition that we would actually have reported had the acquisition occurred on February 1, 2016, nor does such unaudited pro forma financial information purport to project our results of operations or financial condition for any future period.

We have adjusted the historical combined financial information to give effect to pro forma events that are:

- directly attributable to these business combinations;
- factually supportable; and
- with respect to the pro forma combined income statement, expected to have a continuing impact on our combined results following the business combinations.

The unaudited pro forma combined income statement does not reflect any operating efficiencies and cost savings or synergies that we may achieve or any additional expenses that we may incur with respect to the combined operations. The unaudited pro forma financial information set forth in this offering circular is based on available information and certain assumptions and estimates that we believe are reasonable. The amounts shown may differ materially from the actual amounts that would have been achieved had the events above occurred on the dates indicated.

The unaudited condensed combined pro forma financial information is not directly comparable to our historical financial information presented elsewhere in this offering circular. The unaudited condensed combined pro forma financial information should be read in conjunction with the information contained in "*Presentation of Financial* *and Other Information*", "*Selected Historical Financial Information*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", and the Financial Statements and notes thereto included elsewhere in this offering circular.

We have not prepared our unaudited pro forma combined financial information in accordance with Article 11 of Regulation S-X under the U.S. Securities Act, the Prospectus Directive or any GAAP. We have prepared the unaudited pro forma combined financial information in accordance with the basis of preparation described below under "*—Basis of Preparation of Condensed Combined Pro Forma Financial Information*."

Basis of Preparation of Condensed Combined Pro Forma Financial Information

The condensed combined pro forma financial information has been prepared taking into consideration the significant accounting policies applied to prepare our Financial Statements included elsewhere in this offering circular.

The condensed combined pro forma financial information has been prepared based upon information derived from our audited financial statements for Fiscal Year 2016, Mavi USA's accounting records and Mavi Canada's accounting records. for Fiscal Year 2016. Mavi Canada financial information, included under the heading "Mavi Canada" below, has been prepared and converted from Canadian dollars to TL, at yearly weighted average exchange rates for Fiscal Year 2016. Mavi USA financial information, included under the heading "Mavi USA", below has been prepared and converted from U.S. dollars to TL, at yearly weighted average exchange rates for Fiscal Year 2016. Our historical financial information for Fiscal Year 2016 has been derived from the Financial Statements audited by KPMG.

Condensed Combined Pro Forma Income Statement

	Fiscal Year 2016				
	Company	Mavi USA	Mavi Canada	Pro forma adjustments(1)	Pro Forma
			(TL million)		
TL million					
Revenue	**1,307.9**	**76.6**	**39.6**	**(55.7)**	**1,368.5**
Cost of sales	(640.9)	(32.8)	(22.0)	25.2	(670.6)
Gross profit	**667.0**	**43.8**	**17.6**	**(30.5)**	**697.9**
Administrative expenses	(76.7)	(6.1)	(3.8)	5.3	(81.2)
Selling and marketing expenses	(448.3)	(23.0)	(11.6)	13.4	(469.5)
Research and development expenses	(18.7)	(1.2)	(0.9)	0.8	(19.9)
Other operating expense	(1.6)	—	—	—	(1.6)
Other operating income	1.9	0.1	0.1	(0.1)	1.9
Operating profit	**123.7**	**13.7**	**1.4**	**(11.1)**	**127.7**
Finance income	15.3	0.4	0.5	(1.3)	15.0
Finance expenses	(70.5)	(3.4)	(0.7)	2.2	(72.5)
Profit before tax	**68.5**	**10.7**	**1.2**	**(10.2)**	**70.1**
Income tax expense	(16.6)	(2.8)	(0.3)	3.6	(16.2)
Profit for the year	**51.8**	**7.9**	**0.9**	**(6.7)**	**53.9**
Profit attributable to:					
Owners of the Company	50.1	4.0	0.3	(3.3)	51.1
Non-controlling interest	1.7	3.9	0.5	(3.4)	2.8
Depreciation and amortization	(46.5)	(0.5)	(0.5)	(1.8)	(49.3)
Earnings before interest, tax, depreciation and amortization (EBITDA)	**170.2**	**14.2**	**1.8**	**(9.3)**	**176.9**

(1) Notes:

- Results for the five months period ended Fiscal Year End 2016 which are included in our consolidated results from operations for Fiscal Year 2016 have been eliminated in order to prevent double counting. This pro forma adjustment impacts all condensed combined pro forma captions.
- Transactions between Mavi USA and Mavi Canada have been eliminated. This pro forma adjustment impacts the following sections: revenue, operating profit, profit for the year and profit attributable to owners of the Company and non-controlling interest.
- The amortization of assets acquired through the business combination adjusted to reflect effects as if the transaction occurred on February 1, 2016. This pro forma adjustment impacts the depreciation and amortization condensed combined pro forma caption.
- Income tax effects of the pro-forma adjustments have been reflected accordingly. This pro forma adjustment impacts the following condensed combined pro forma captions: income tax expense and profit for the year.

Unaudited Pro Forma Combined Key Performance Metrics

Unaudited Pro Forma Combined Revenue by Country by Channel

	Fiscal Year End 2016							
	Turkey	Europe	USA	Canada	Russia	Rest of World	Pro Forma Adjustments(1)	Total
	(TL million)							
Revenue	**1,121.2**	**100.1**	**76.6**	**39.6**	**19.7**	**12.0**	**(0.8)**	**1,368.5**
- Retail	856.7	17.2	6.4	6.0	11.0	0.0	0.0	897.3
- Wholesale	248.7	80.5	65.1	32.8	8.7	12.0	(0.8)	447.0
- E-commerce	15.8	2.4	5.1	0.8	0.0	0.0	0.0	24.1

(1) Transactions between Mavi USA and Mavi Canada have been eliminated.

Mavi USA Conversion of Revenue from $ to TL by Channel

	Fiscal Year 2016		
	Mavi USA	Yearly weighted average TL/$ rates	Mavi USA
	($ million)		(TL million)
Revenue	**24.7**	3.10	**76.6**
- Retail	2.0	3.11	6.4
- Wholesale	21.0	3.10	65.1
- e-commerce	1.6	3.12	5.1

Mavi Canada Conversion of Revenue from C$ to TL by Channel

	Fiscal Year 2016		
	Mavi Canada	Yearly weighted average TL/C$ rates	Mavi Canada
	C$ million		(TL million)
Revenue	**17.0**	2.34	**39.6**
- Retail	2.7	2.22	6.0
- Wholesale	14.1	2.33	32.8
- e-commerce	0.2	4.07	0.8

Number of Denim Items

Fiscal Year	Turkey	Europe	USA	Canada	Rest of World	Total
	(units in millions)					
2016(1)	5.8	0.8	0.5	0.3	0.1	7.5
2015	5	1	0	0	0	6.1
2014	4.5	1.2	0	0	0.1	5.8

(1) Pro forma numbers

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

You should read the following discussion and analysis together with the financial statements, including the related notes, that you will find in this offering circular beginning on page F-1. For a description of these financial statements, see "Presentation of Financial and Other Information."

This section also includes certain pro forma information relating to our acquisition of Mavi USA and Mavi Canada, as described in detail in "Condensed Combined Pro Forma Financial Information." For an explanation of certain non-IFRS measures used in this section, see "Presentation of Financial and Other Information—Key Performance Indicators."

In addition, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this offering circular, including under "Risk Factors" and "Forward-Looking Statements."

Overview

We are a casual lifestyle fashion business based in Istanbul, where we were founded in 1991. With strong denim roots, we have evolved into an international apparel and accessories brand for both women and men. We have built our success on products of superior quality and on our "Perfect Fit" strategy. Our "Perfect Fit" strategy aims to know our customers and their needs so that the brand and the products fully satisfy the customers' quality expectations and perfectly fit their bodies and their lifestyles, offering a high value for the price. In Fiscal Year 2016, on a pro forma basis, we sold 7.5 million denim items worldwide excluding Russia and Australia via a network of approximately 5,500 points of sale.

As at Fiscal Year End 2016, we operated 261 retail stores, our franchisees operated 70 franchise mono-brand stores and our products were sold in 436 multi-brand points of sale in Turkey.

Among the 5.7 million customers in Turkey who hold our loyalty program cards, approximately 3.9 million are active users, that is, individuals who have used their loyalty program cards while shopping with us during the last two years. We have built a loyal customer following and our core segment consists of young, fashion-conscious men and women under 35. We therefore believe that we are strongly positioned to benefit from the young demographics of Turkey. Our loyalty program, together with our social media presence, which recorded 3.3 million followers generating approximately 60 million impressions in 2016, gives us a powerful insight into customer preferences and trends.

In 2008 we decided to accelerate our retail expansion. We have achieved a solid track record for growth since then, reaching 261 directly operated mono-brand stores and approximately 117,000 sqm net selling retail space within Turkey in Fiscal Year 2016 compared to c. 80,000 sqm and c. 99,000 sqm in Fiscal Year 2014 and Fiscal Year 2015. Adjusted LFL revenue growth at our retail stores in Turkey had an average of 16.3% and revenue at our retail stores in Turkey has grown at a CAGR of 24.7% between Fiscal Year 2014 and Fiscal Year 2016. Adjusted LFL revenue at our directly operated mono-brand stores in Turkey has grown at 14.1% in Fiscal Year 2016; and LFL revenue has grown at 10.8%. Our increased focus on retail has helped us grow across multiple categories, becoming a true lifestyle brand. In Fiscal Year 2016, we generated 56% of our total revenue from directly operated mono-brand stores in Turkey through sales of products in our Lifestyle category, that is, items outside the Denim Bottoms category. In 2013 we launched our e-commerce operations to complement the growth of our physical retail stores. We support the productivity of our stores with a flexible supply chain, with a strong focus on local sourcing that we believe creates advantages in terms of quality control, margins and time-to-market.

Internationally, we have built a strong reputation with our unique brand and brand recognition thanks to the quality of our denim products.

The following table shows the number of denim products we sold in certain key non-Turkish markets in the periods indicated:

	Fiscal Year		
	2014[(1)]	2015[(1)]	2016[(2)]
	(Units in millions)		
Sales outside Turkey	1.3	1.0	1.6
Global sales including Turkey	5.8	6.0	7.5

1) Excludes Russia, Australia, the United States and Canada.
2) Excludes Russia and Australia; includes the United States and Canada on a pro forma basis as if our acquisition of Mavi USA and Mavi Canada had occurred on February 1, 2016. See "Condensed Combined Pro Forma Financial Information".

Our international distribution platform includes 61 mono-brand stores outside Turkey as well as strong wholesale and online partners such as Bloomingdale's, Nordstrom, Zappos.com, Simons, David Jones, P&C and Zalando.com.

We continue to focus both on retail expansion in Turkey and on international and online growth. In Fiscal Year 2016, we recorded consolidated revenue of TL 1,307.9 million, profit of TL 51.8 million and EBITDA of TL 170.2 million. As at Fiscal Year End 2016, our CAGR over the three fiscal years on consolidated revenue, profit and EBITDA increased by 20.9%, 65.6%, and 28.4%, respectively. On a combined pro forma basis, adjusted to reflect the acquisition of our U.S. and Canadian subsidiaries, our revenue for Fiscal Year 2016 was TL 1.4 billion, our profit was TL 53.9 million and our EBITDA was TL 176.9 million.

Key Factors Affecting Our Results of Operations

We believe that the following key factors have affected our performance and our results of operations in recent years, and we expect them to continue to affect our business going forward:

- Macroeconomic developments
- Growth of like-for-like revenue in Turkey
- Expansion of our store network
- Expansion of our international business
- Capital expenditures
- Interest rates
- Foreign exchange rates
- Seasonality

For further discussion of factors affecting our results of operations, see "*Risk Factors*".

Macroeconomic Developments

We generate the majority of our revenue in Turkey. Macroeconomic developments in Turkey and their influence on consumer purchasing power and demand for our products, as well as on our costs of doing business, have an effect on our results of operations. We also operate outside Turkey, primarily in Europe, the United States, Canada and Russia. Consumer confidence and purchasing power affect our revenue in those markets as well, albeit to a lesser degree than is the case for Turkey.

The Turkish economy sustained average real GDP growth of 5.7% between 2001 and 2016, increasing from TL 688 billion to TL 1,572 billion. The Turkish economy grew at a rate of 4.2% in 2013, 2.9% in 2014, 4.0% in 2015 and 2.9% in 2016. In line with GDP growth, GDP per capita reached $10,807 for 2016, up from $3,084 for the year ended 2001 (Source: Turkstat). The Economist Intelligence Unit forecasts that the annual real GDP growth will be 2.4% in 2017, 2.6% in 2018 and 3.3% in 2019 (Source: EIU Country Report March 2017). We expect growth in per capita GDP to be reflected in private consumption and disposable income growth.

Our products are retail consumer goods. To generate revenue, therefore, we depend on the willingness and ability of consumers to buy our products. We believe that consumer confidence and purchasing power are, in turn, driven by the growth of the economy as a whole.

Economic developments also affect our expenses. For example, the 30% increase in the Turkish minimum wage in early 2016 affected our sales and marketing expenses in Fiscal Year 2016. Effective response to such economic developments is a key task for our management. Specifically, despite the 30% increase in the minimum wage, and 12% increase in the number of employees; working at directly-operated mono-brand stores in Fiscal Year 2016; our wage costs for employees working in sales and marketing increased by only 28% in that fiscal year.

Growth of Like-for-Like and Adjusted Like-for-Like Revenue in Turkey

Our revenue and gross profit margin are positively affected by our ability to expand like-for-like, or LFL, sales in our stores. LFL revenue in Turkey constituted 76.2%, 78.2% and 80.5%, respectively, of our Turkish retail revenue during Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016. We have established a strong track record of organic growth, with Adjusted LFL revenue growing at an average of 16.3% and our revenue at our retail stores in Turkey has grown with a CAGR of 24.7% between Fiscal Year 2014 and Fiscal Year 2016. See "*Presentation of Financial and Other Information—Key Performance Indicators—Like-for-Like Measures and Adjusted Like-for-Like Measures*". We aim to drive this trend forward, as LFL revenue in Turkey growth has historically been one of the two major drivers of our growth.

Consistent growth in LFL revenue of directly operated mono-brand stores in Turkey is driven by a combinations of two factors: total transactions, as measured by number of transactions (invoices), and basket size. The following table shows growth in these two factors and in LFL revenue in Turkey for the periods indicated:

	Fiscal Year			
	2013	**2014**	**2015**	**2016**
		(%)		
Transaction growth*	6.8	11.8	7.3	9.9[1]
Basket size growth	8.0	7.4	6.9	3.9[2]
LFL revenue growth	15.3	20.1	14.7	10.8
Adjusted LFL revenue growth				14.1

(*) Calculated as {a specific year's number of transaction (invoice) / a preceding year's number of transaction (invoice)} – 1

(1) Adjusted Transaction Growth.

(2) Adjusted Basket Size Growth.

Transaction Growth

Our store traffic in Turkey consistently increased in the past four years due to strong brand positioning and marketing. Increase in the 15-to-44 year old demographic that forms our core customer group has a positive effect on our traffic.

Our conversion rate consistently increased in the past four years due to expanding the sales areas of our stores, implementing in-season stock management, optimizing product buying through improved store clustering and training our personnel to turn store visits into sales.

Basket Size

Our basket size has consistently increased in the past four years due to an increase in units per transaction through the increase in the proportion of Lifestyle products and accessories in baskets.

Expansion of our Store Network

The development of our revenue and gross profit margin is affected, in part, by our ability to expand our store network with new store opening and the expansion of floorspace in our existing stores. As at Fiscal Year End 2016, we operated 261 stores across Turkey and over the past three fiscal years, we have added an average of 26 new stores per year over the last three years and 27 new stores over the last six years. As we continue to implement our retail strategy, we expect that we will continue to open new stores in line with our historical average. In addition, we also seek opportunities to expand the floorspace of our existing stores. Expansion of 21 existing directly operated mono-brand stores contributed 25% of total sqm expansion (4,500 sqm) in Turkey in Fiscal Year 2016. We make feasibility studies for each new and expanding store.

Although we generate most of our non-Turkish revenue through wholesale channels, we operate 22 directly operated mono-brand stores outside Turkey. In some of international markets, such as Canada and Russia, our strategy calls for us to increase the number of our directly operated mono-brand stores.

In order to successfully implement our retail strategy, we must be able to obtain store space of adequate size in desirable locations. Rental fees are the single largest component of our selling and marketing expenses, and the substantial majority of the rental fees we record under selling and marketing expenses are for our directly operated mono-brand stores. As we implement our strategy of increasing retail presence, we expect that our selling and marketing expenses will increase.

Because gross profit margin on retail sales has historically been higher than on sales through wholesale channels, we also expect that our gross margin will ultimately increase as we implement our retailization strategy. See "*Risk Factors—Risks Related to Our Industry and Business—Our retail strategy to increase the number of our directly operated mono-brand stores and to expand floorspace at existing stores may be unsuccessful if we are unable to procure the retail space we need or if new and expanded stores fail to deliver the revenue and margins that we expect.*"

Expansion of Our International Business

We have established a strategic presence in Europe, centered on Germany and The Netherlands; in the United States; in Canada; and in Russia. In these markets, we sell-through a varying mix of retail stores, wholesale outlets and e-commerce. In addition, we also sell our products in 29 other countries on a wholesale basis.

International expansion has an important impact on our revenue and cost structure. As at September 1, 2016, we consolidated our U.S. and Canadian subsidiaries. This first-time consolidation had a significant effect on our results of operations during the last five months of Fiscal Year 2016, as discussed below under "*—Results of Operations—Fiscal Year 2016 Compared to Fiscal Year 2015*".

Although we believe that the major part of our foreign currency exposure is within Turkey, foreign expansion increases our exposure to non-TL currencies such as the U.S. dollar, Canadian dollar, the euro and the Russian ruble. Furthermore, our plan to increase the number of retail stores in Canada and Russia will require significant levels of investment for our local retail stores. See "*Risk Factors—Risks Related to Our Industry and Business—Our retail strategy to increase the number of our directly operated mono-brand stores and to expand floorspace at existing stores may be unsuccessful if we are unable to procure the retail space we need or if new and expanded stores fail to deliver the revenue and margins that we expect" and* "*Risk Factors—Risks Related to Our Industry and Business—We may be subject to exchange rate risk associated with our different currency denominated operating revenue and operating expenses, liabilities and assets.*"

Capital Expenditures

In Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016, we recorded capital expenditures of TL 61.5 million, TL 57.1 million and TL 62.6 million, respectively. Our capital expenditures are driven primarily by our retail expansion, including both new store openings and expansion of floorspace in existing stores. The majority of our capital expenditures are for furniture, fixtures, leasehold improvements and other tangible fixed assets.

In Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016, we also recorded:

- initial store capital expenditures of TL 34.6 million, TL 31.9 million and TL 40.6 million, respectively;
- renovation capital expenditures of TL 10.2 million, TL 7 million and TL 9.4 million, respectively; and
- headquarters capital expenditures of TL 10.9 million (including information technology and e-commerce related capital expenditures), TL 13.4 million and TL 10.2 million, respectively.

In addition, in Fiscal Year 2016 we incurred capital expenditures of $5.75 million representing the initial cash consideration for the acquisition of Mavi USA and Mavi Canada. As we pursue to increase our retail stores and store expansion, our capital expenditures are expected to increase in the future.

Our total capital expenditures accounted in average 5.6% of our sales over the last three years and our capital expenditures relating to store expansion accounted for approximately 59% of our total capital expenditures.

Interest Rates

We are exposed to fluctuations in interest rates in some of our business activities. In most areas we regard this exposure as limited, because nearly all of our total indebtedness bears interest at fixed rates. Our non-TL financial obligations in Turkey are limited largely to euro- and dollar-denominated export financing, which we are able to obtain at favorable rates from Türkiye İhracat Kredi Bankası A.Ş. (Turkish Export Credit Bank, "**Turkish Eximbank**").

Foreign Exchange Rates

We are affected by developments in the exchange rate between the TL and other currencies, especially the euro, the U.S. dollar, the Russian ruble and, since our August 2016 acquisition of Mavi Canada, the Canadian dollar.

Fluctuations in exchange rates can have a significant effect on our results of operations. These effects include:

- *Revenues*. We derived 14.3% (18.1% on a pro forma basis) of our consolidated revenues from international markets in the Fiscal Year 2016, excluding the full-year impact of the U.S. and Canada acquisition.
- *Gross margin*. We source a large majority of our products in Turkey and pay for them in TL. For the Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016, 79.1%, 79.1% and 80.2% of our total purchases, respectively represented products sourced in Turkey. Depreciation of TL against foreign currencies such as the euro and U.S. dollar represents an implied reduction in cost of product for our subsidiaries outside Turkey that generate euro or dollar revenue for the sale of our products, tending to increase our gross margin in these operations.
- *Rental costs.* Rental payments under the leases for a majority of our directly operated mono-brand stores in Turkey are tied to the TL/U.S. dollar or TL/euro exchange rate. However, most of our leases that tie rental payments to a foreign currency exchange rate also include a rent-over -revenue ratio term. As a result, our actual rental payments in any given month are the higher of a fixed, foreign-currency tied amount or a percentage of store revenue in that month). Because the relevant percentage of revenue generated at these stores has generally exceeded the fixed, exchange-rate tied rental payments during the period under review, exchange rate fluctuations during this period have not materially affected rental expenses for these stores. For our remaining leases that tie rental payments to a foreign exchange rate, we have generally been able to mitigate the effects of exchange-rate fluctuations by negotiating with our lessors for waivers or for reductions of contractually-agreed rates of increase. We believe that our strong retail presence in Turkey, where we have 261 directly operated mono-brand stores, makes lessors regard us as a stable and desirable tenant, which has supported our ability to successfully negotiate concessions on rent increases.
- *Foreign exchange gains and losses.* Approximately 51.4% of our debt is foreign currency denominated. For the Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016, our gains and losses from loans denominated in foreign currencies were a TL 9.6 million gain, a TL 1.6 million loss and a TL 22.4 million loss, respectively.

Fluctuations in the exchange rates between the TL and non-TL currencies can also increase or reduce our revenue and expenses denominated in other currencies when we translate these amounts into lira upon consolidation.

Seasonality

Although seasonality affects our quarterly results of operations and our revenue to a degree, we believe that the factors described below mitigate its effects to an extent, making us less subject to seasonality than many other consumer retail companies. These reasons include the following:

- We produce four seasonal collections each year. Strong sales of our Spring and Summer collections, in particular, lend balance to our annual revenue cycle.
- In Turkey, we typically experience strong sales during the two annual multi-day holiday seasons. Because the dates of these holidays are determined on a lunar-calendar basis, the periods in which they fall change over time; for every three years, the holidays occur roughly one month earlier. Accordingly, while we do record some of our strongest sales during these periods, the quarters in which the seasonal effect occurs vary over a multi-year cycle.
- Although retail sales account for the majority of our revenue, we also generate a substantial amount of revenue through wholesale channels. This is particularly the case in our non-Turkish markets, where the Christmas/New Year season uptick may be stronger than in Turkey. Our wholesale revenue typically peaks a quarter earlier than retail over the annual cycle, again producing a balancing effect.
- Sales of Denim Bottoms are less affected by seasonality than sales of Lifestyle products, because customers tend to buy roughly the same volumes of jeans across all seasons. Denim Bottoms continue to represent a significant portion of our total products sold. In Fiscal Year 2016, they represented 44% of the revenue we generated in our directly operated mono-brand stores in Turkey. As a result, sales of Denim Bottoms can mitigate the seasonal effect on sales of Lifestyle products to a significant degree.

Recent Developments

In the first two months of the current fiscal year, our consolidated revenue in February and March 2017 compared to combined pro forma revenue in February and March 2016 increased by 25.6%. We opened five directly operated mono-brand stores in Turkey, and one in Russia. During April 2017 we opened five additional new stores in Turkey, bringing our total new stores added during the first quarter of Fiscal Year 2017 to ten in Turkey and one in Russia.

The following table shows our historical consolidated revenue by sales channel and geographical market for the period indicated.

	Two-month period ended March 31, 2017						
	Turkey	Europe	USA	Canada	Russia	Rest of World	Total
				million TL			
Retail	140.7	2.9	0.3	1.1	2.2	0.0	147.1
Wholesale	85.5	16.2	17.1	8.3	2.2	3.2	132.5
e-Commerce	3.4	0.4	1.2	0.3	0.0	0.0	5.4
Total	**229.5**	**19.6**	**18.6**	**9.7**	**4.4**	**3.2**	**284.9**

The following table shows our combined revenue by sales channel and geographical market for the period indicated on a pro forma basis, as if our acquisition of Mavi USA and Mavi Canada had occurred on February 1, 2016. See "*Condensed Combined Pro Forma Financial Information*."

	Two-month period ended March 31, 2016						
	Turkey	Europe	USA[1]	Canada[2]	Russia	Rest of World	Total
				million TL			
Retail	110.5	2.8	0.3	0.7	1.2	0.0	115.5
Wholesale	72.0	12.9	12.2	6.5	1.9	2.4	108.0
e-Commerce	2.4	0.3	0.8	0.0	0.0	0.0	3.5
Total	**184.9**	**16.0**	**13.3**	**7.2**	**3.1**	**2.4**	**226.9**

(1) The following table shows average foreign exchange rates for U.S. dollar to TL conversion in the first two months of the previous fiscal year.

	Two-month period ended March 31, 2016		
	Mavi USA ($ million)	Yearly weighted average TL/$ rates	Mavi USA (TL million)
Retail	0.1	2.91	0.3
Wholesale	4.2	2.92	12.2
e-Commerce	0.3	2.91	0.8
Total	**4.5**	**2.91**	**13.3**

(2) The following table shows average foreign exchange rates Canadian dollar to TL conversion in the first two months of the previous fiscal year.

	Two-month period ended March 31, 2016		
	Mavi Canada (C$ million)	Yearly weighted average TL/C$ rates	Mavi Canada (TL million)
Retail	0.3	2.15	0.7
Wholesale	3.0	2.15	6.5
e-Commerce	0.0	2.15	0.0
Total	**3.4**	**2.15**	**7.2**

Subject to CMB approval, we expect to release our financial results for the first quarter of 2017 on or about June 30, 2017. We expect to report that consolidated revenues in the first quarter increased in line with the growth trend of the first two months of the year.

Results of Operations

Fiscal Year 2016 Compared to Fiscal Year 2015

The following table shows certain items derived from our consolidated income statement for Fiscal Year 2015 and Fiscal Year 2016. The table also shows each such item as a percentage of revenue and as a percentage change from period to period.

	Fiscal Year					
	2015		2016		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Revenue	1,052,807	100.0	1,307,934	100.0	255,126	24.2
Cost of sales	(528,395)	50.2	(640,915)	49.0	(112,520)	21.3
Gross profit	**524,412**	**49.8**	**667,019**	**51.0**	**142,606**	**27.2**
Administrative expenses	(55,615)	5.3	(76,670)	5.9	(21,055)	37.9
Selling and marketing expenses	(357,951)	34.0	(448,336)	34.3	(90,385)	25.3
Research and Development expenses	(15,662)	1.5	(18,657)	1.4	(2,995)	19.1
Other income	2,819	0.3	1,924	0.1	(895)	-31.7
Other expenses	(7,218)	0.7	(1,601)	0.1	5,617	-77.8
Operating profit	**90,786**	**8.6**	**123,680**	**9.5**	**32,894**	**36.2**
Finance income	11,112	1.1	15,311	1.2	4,199	37.8
Finance costs	(55,838)	5.3	(70,531)	5.4	(14,693)	26.3
Net finance costs	**(44,726)**	**4.2**	**(55,220)**	**4.2**	**(10,493)**	**23.5**
Profit before tax	**46,060**	**4.4**	**68,460**	**5.2**	**22,401**	**48.6**
Income tax expense	**(12,607)**	**1.2**	**(16,647)**	1.3	**(4,041)**	**32.1**
- Tax expense	(13,140)	1.2	(15,524)	1.2	(2,384)	18.1
- Deferred tax income / (expense)	533	0.1	(1,123)	0.1	(1,656)	
Profit	**33,453**	**3.2**	**51,813**	4.0	**18,360**	**54.9**
Profit attributable to:						
Owners of the Company	33,453	3.2	50,064	3.8	16,611	49.7
Non-controlling interests	—	—	1,749	0.1	1,749	—
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit liability	(1,016)	-0.1	(313)	0.0	703	-69.2
- Related tax	203	0.0	63	0.0	(140)	-69.2
Items that are or may be reclassified to profit or loss						
Foreign operations—foreign currency translation differences	1,335	0.0	436	0.0	899	-67.4
Other comprehensive income net of tax	**523**	**0.0**	**186**	0.0	**(337)**	-64.5

Revenue

Our revenue is presented net of sales returns, sales discounts and loyalty cards discounts. We generate nearly all our revenue through the sale of our products. In each of the periods under review, product sales made up 99% of our revenue. To a significantly smaller extent, we also generate revenue in the form of royalty fees paid by our Australian licensee, which we record as sale of service, and from other minor sources.

We generate sales through three channels:

- Retail;
- Wholesale; and
- E-commerce.

Retail sales represent our sales to consumers at mono-brand Mavi stores that we operate ourselves rather than through a franchisee. As at Fiscal Year End 2016, we had 261 directly operated mono-brand stores in Turkey, nine in Germany, eight in Russia, four in Canada and one store in the United States.

Wholesale sales are to third-party retailers that then on-sell to consumers, which includes department store chains, corner shops and other stores and third-party e-commerce channels as well as franchise mono-brand stores.

E-commerce represents direct sales that we make to consumers on our own www.mavi.com and www.34heritage.com websites.

The following table shows our revenue for the periods indicated:

	Fiscal Year					
	2015		2016			
	thousand TL	% of Revenue	thousand TL	% of Revenue	Change thousand TL	%
Revenue	1,052,807	100.0	1,307,934	100.0	255,126	24.2

Our consolidated revenue increased from TL 1.05 billion in Fiscal Year 2015 to TL 1.3 billion in Fiscal Year 2016. This increase was primarily the result of revenue growth in our Turkish home market. In addition, the first-time inclusion of an aggregate TL 54.8 million in revenue generated in the United States and Canada following their consolidation from September 2016, and to a smaller degree from increased revenues from sales in Europe, Russia and the Rest of World, also contributed to revenue growth.

The following table shows a breakdown of our consolidated revenues by sales channel for the periods indicated:

	Fiscal Year					
	2015		2016		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Retail	729,394	69.3	890,469	68.1	161,075	22,1
Wholesale	309,231	29.4	395,615	30.2	86,384	27,9
E-commerce	14,182	1.3	21,849	1.7	7,667	54,1
Total revenue	**1,052,807**		**1,307,934**		**255,126**	

Our consolidated retail revenue increased from TL 729.4 million in Fiscal Year 2015 to TL 890.5 million in Fiscal Year 2016. Part of the TL 161.1 million increase in retail sales, which is TL 153.1 million, was the result of retail sales growth in Turkey.

Our consolidated wholesale revenue increased from TL 309.2 million in Fiscal Year 2015 to TL 395.6 million in Fiscal Year 2016. Part of the TL 86.4 million increase in wholesale, which is TL 45.7 million, was the result of wholesale in our U.S. and Canada operations which consolidated for the first time in Fiscal Year 2016, and the remaining TL 40.7 million was the result of an increase in wholesale in Turkey, Europe and Rest of World.

Our consolidated e-commerce revenue increased from TL 14.2 million in Fiscal Year 2015 to TL 21.8 million in Fiscal Year 2016. Of the increase in e-commerce sales, TL 3.7 million was the result of the first-time consolidation of e-commerce revenue from our U.S. and Canada operations; the remaining TL 4.0 million was the result of an increase in e-commerce in Turkey and Europe.

The following table shows a breakdown of our revenues by geographic market for the periods indicated:

	Fiscal Year					
	2015		2016		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Turkey	925,705	87.9	1,121,183	85.7	195,478	21.1
United States[1]	—	N/A	37,577	2.9	37,577	N/A
Canada[1]	—	N/A	17,273	1.3	17,273	N/A
Europe	96,247	9.1	100,133	7.7	3,886	4.0
Russia	19,401	1.8	19,742	1.5	342	1.8
Rest of World	11,454	1.1	12,025	0.9	570	5.0
Total	**1,052,807**		**1,307,934**		**255,125**	

1) The United States and Canada contributed to our consolidated revenue as from September, 1, 2016

Turkish Operations. The following table shows a breakdown of our revenues in Turkey by sales channel for the periods indicated:

	Fiscal Year					
	2015		2016		Change	
	thousand TL	% of Revenue in Turkey	thousand TL	% of Revenue in Turkey	thousand TL	%
Retail	703,642	76.0	856,736	76.4	153,094	21.8
Franchise	102,062	11.0	117,544	10.5	15,482	15,2
Corner store	43,933	4.7	55,330	4.9	11,396	25.9
Department store	54,945	5,9	66,286	5,9	11,341	20,6
Other[1]	8,763	0.9	9,516	0.8	753	8.6
Wholesale	209,703	22.7	248,676	22.2	38,973	18.6
E-commerce	12,359	1.3	15,770	1.4	3,411	27.6
Total revenue in Turkey	**925,705**		**1,121,183**		**195,478**	**21.1**

1) Includes wholesales to third party e-commerce wholesale customers and other stores

Our revenue in Turkey increased from TL 925.7 million in Fiscal Year 2015 to TL 1,121.2 million in Fiscal Year 2016. The biggest component of this increase was the result of growth in our retail sales, though we increased our revenue in Turkey across all sales channels.

Our retail revenue in Turkey increased from TL 703.6 million in Fiscal Year 2015 to TL 856.7 million in Fiscal Year 2016. This increase was the result of (i) increased sales on a 10.8% like-for-like basis and 14.1% on an Adjusted LFL basis; (ii) 25 net new stores we opened in that fiscal year; (iii) ramp up and full year impact of stores that were opened in the previous fiscal year; and (iv) revenue added from 21 expanded stores.

Turkish wholesale revenue increased from TL 209.7 million in Fiscal Year 2015 to TL 248.7 million in Fiscal Year 2016. This increase was primarily the result of increased sales to our franchise mono-brand stores and strong performance in corner stores and department stores.

Our e-commerce revenue in Turkey increased from TL 12.4 million in Fiscal Year 2015 to TL 15.8 million in Fiscal Year 2016. Continuing the trend of the prior fiscal year, this increase was primarily the result of an 11% increase in traffic to our www.mavi.com site due to digital marketing, leading to a growth in membership numbers as well as a slight increase in average basket size.

International Operations. In addition to our Turkish home market, we sell our products in 34 countries through a network of distributors, subsidiaries outside Turkey and franchisees. We are primarily focused on four regional markets: Europe; the United States; Canada; and Russia. We have consolidated our U.S. and Canadian subsidiaries since September 2016, after acquiring a majority interest in Eflatun in August 2016. Both companies had previously been unconsolidated related parties. See "*Condensed Combined Pro Forma Financial Information*" and "*Business— Our Strategy—International Expansion*". Our Europe geographical segment is covered by our German subsidiary, which generates wholesale, retail and e-commerce sales in Germany and serves as a wholesale hub for most of Western Europe, and by our Dutch subsidiary, which is a wholesale-only channel in the Netherlands.

The following table shows a breakdown of our revenues in Europe by sales channel for the periods indicated:

	Fiscal Year				Change	
	2015		2016			
	thousand TL	% of Revenue in Europe	thousand TL	% of Revenue in Europe	thousand TL	%
Retail	16,834	17.5	17,232	17.2	398	2.4
Wholesale	77,590	80.6	80,476	80.4	2,886	3.7
E-commerce	1,823	1.9	2,425	2.4	602	33.0
Total revenue in Europe	**96,247**		**100,133**		**3,886**	**4.04**

Revenue in Europe reflects revenue from wholesale, retail and e-commerce sales by our subsidiary in Germany as well as wholesale sales by our subsidiary in the Netherlands. Revenue in Europe increased from TL 96.2 million in Fiscal Year 2015 to TL 100.1 million in Fiscal Year 2016. This increase was primarily the result of growth in all channels. The main reason for the increase in wholesale revenue is due to the increase in sales to third party online retailers dealing with internet sale business and currency impact. Revenue from e-commerce in Europe increased 33%; from TL 1.8 million to TL 2.4 million.

On August 16, 2016 we acquired Mavi USA and Mavi Canada. As a result, our consolidated revenue included a contribution of TL 54.8 million from these markets for the first time starting from September 2016. See "*Condensed Combined Pro Forma Financial Information*".

The following table shows a breakdown of our revenues in Russia by sales channel for the periods indicated:

	Fiscal Year				Change	
	2015		2016			
	thousand TL	% of Revenue in Russia	thousand TL	% of Revenue in Russia	thousand TL	%
Retail	8,917	46.0	11,015	55.8	2,097	23.5
Wholesale	10,483	54.0	8,728	44.2	(1,756)	-16.7
E-commerce	—	—	—	—	—	—
Total revenue in Russia	**19,401**		**19,742**		**341**	**1.8**

Our revenue in Russia increased from TL 19.4 million in Fiscal Year 2015 to TL 19.7 million in Fiscal Year 2016. This increase was primarily the result of the like-for-like growth in retail. Retail sales showed strong performance, with a 24% increase from TL 8.9 million in Fiscal Year 2015 to TL 11.0 million in Fiscal Year 2016 without either an increase in the number of stores or an expansion of store floorspace. Wholesale revenue decreased from TL 10.5 million to TL 8.7 million in line with the strategic shift of the business from wholesale to retail.

Revenue in the Rest of World, which consists only of wholesale business, increased slightly from TL 11.5 million in Fiscal Year 2015 to TL 12.0 million in Fiscal Year 2016.

Cost of Sales and Gross Profit

Our cost of sales consists of the cost of commercial goods sold. The primary components of these costs are the amounts we pay to our suppliers in Turkey or outside Turkey for Denim Bottoms and Lifestyle products , freight and shipping costs, insurance premiums and duty we pay on imported articles. In addition to this, we include a provision for inventories, wastages and stock difference in cost of sales.

The following table shows our cost of sales and gross profit for the periods indicated:

	Fiscal Year				Change	
	2015		2016			
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Cost of sales	(528,395)	50.2	(640,915)	49.0	(112,520)	21.3
Gross profit	**524,412**	**49.8**	**667,019**	**51.0**	**142,606**	**27.2**

Our cost of sales increased from TL 528.4 million in Fiscal Year 2015 to TL 640.9 million in Fiscal Year 2016. However as a percentage of revenue, cost of sales decreased from 50.2% to 49.0%. The main reasons for this were growth in the proportion of our total sales in Turkey represented by retail sales, which have a higher margin than domestic wholesale sales, as well as improving wholesale margins in Turkey. Additionally, our wholesale margins improved during Fiscal Year 2016 due to the first-time consolidation of our U.S. and Canadian businesses, which operate in markets that typically generate higher wholesale margins than in Turkey. Our gross profit increased from TL 524.4 million in Fiscal Year 2015 to TL 667 million in Fiscal Year 2016. This increase was the result of the higher growth in revenue and improving gross profit margin.

Administrative Expenses

The largest component of our administrative expenses is typically personnel expenses. These expenses are for non-store personnel other than those in our research and development, procurement, sales and marketing and logistics teams. In each of the periods under review, personnel expenses have made up 57% of our total administrative expenses. Other significant components of these expenses in order of magnitude are depreciation and amortization, rent expenses for our corporate headquarters and for our subsidiaries' administrative offices in markets outside Turkey, consultancy and office materials. We also include net bad commercial debt expenses in this line item.

The following table shows our administrative expenses for the periods indicated:

	Fiscal Year					
	2015		2016		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Administrative expenses	(55,615)	5.3	(76,670)	5.9	(21,055)	37.9

Our administrative expenses increased from TL 55.6 million in Fiscal Year 2015 to TL 76.7 million in Fiscal Year 2016. The increase in administrative expenses as a percentage of revenue reflects the 30% increase in minimum wage in Turkey in early 2016, which affected our white collar workforce operations in Turkey, as well as the increase in administrative expenses due to the first time consolidation of the U.S. and Canadian businesses.

Selling and Marketing Expenses

The largest component of our selling and marketing expenses is rent expenses, primarily for our directly operated mono-brand stores in Turkey and abroad. Rent expenses also cover our wholesale showrooms as well as warehouses in those regions where we do not outsource our warehousing needs. The other major component of selling and marketing expenses is personnel expenses for our in-store employees as well as non-store employees working in the marketing and logistics teams. In each of the periods under review, rent expenses and personnel expenses made up more than two thirds of our selling and marketing expenses. Other significant components include depreciation and amortization especially relating to our retail stores; logistic and warehousing expenses; and advertising expenses. Selling and marketing expenses also cover a wide variety of minor charges.

The following table shows our selling and marketing expenses for the periods indicated:

	Fiscal Year					
	2015		2016		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Selling and marketing expenses	(357,951)	34.0	(448,336)	34.3	(90,385)	25.3

Our selling and marketing expenses increased from TL 358.0 million in Fiscal Year 2015 to TL 448.3 million in Fiscal Year 2016 primarily due to an increase in rent and personnel expenses. Our rent expenses increased from TL 134.1 million to TL 173.2 million. This increase was driven by

- the opening of new directly operated mono-brand stores;
- the full year impact of stores opened in the previous fiscal year;
- the impact of like-for-like growth in sales where our rent contracts are pegged to percentage of store revenue;
- the expansion of existing stores; and

an increase in foreign exchange rates, affecting our hard currency dominated rent contracts, to the extent we were not able to negotiate concessions. The majority of expenses related to personnel expenses in selling and marketing consist of personnel expenses in retail stores. Our personnel expenses increased from TL 115.3 million to TL 147.5 million mainly driven by the increase in the number of stores and the expansion in floorspace. In Fiscal Year 2016, we had 2,472 personnel in stores, compared to the 2,206 personnel for the Fiscal Year 2015. The minimum wage increase was 30% in Turkey and the increase in the number of employees was 12%. The increase in personnel expenses was 28%, thanks to our management's workforce optimization efforts.

In Fiscal Year 2016, the percentage of selling and marketing expenses to the revenue increased by 0.3% compared to the previous fiscal year, primarily due to the increase in rent and personnel expenses.

Research and Development Expenses

The following table shows our research and development expenses for the periods indicated:

	Fiscal Year					
	2015		2016		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Research and development expenses	(15,662)	1.5	(18,657)	1.4	(2,995)	19.1

Our research and development expenses consist of expenses related to product development, design and sourcing departments.

Our research and development expenses increased from TL 15.7 million in Fiscal Year 2015 to TL 18.7 million in Fiscal Year 2016, primarily due to increase in personnel expenses.

Other Income and Expenses

Other income consists of a variety of items that can vary from one period to another. In both periods, other income mainly consisted of decoration income, currency difference gains with respect to commercial receivable and debts, rediscount interest gains, damage compensation income, and salary protocol income signed with banks.

The following table shows our other income and expenses for the periods indicated:

	Fiscal Year					
	2015		2016		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Other income	2,819	0.3	1,924	0.1	(895)	-31.7
Other expenses	(7,218)	0.7	(1,601)	0.1	5,617	-77.8

Our other income decreased from TL 2.8 million in Fiscal Year 2015 to TL 1.9 million in Fiscal Year 2016 primarily due to a TL 1.5 million decrease in decoration income in Fiscal Year 2015. This decrease was partially offset by an increase in our damage compensation income from insurance claims related to a fire in our design and sourcing building in 2015.

Our other expenses decreased from TL 7.2 million in Fiscal Year 2015 to TL 1.6 million in Fiscal Year 2016, primarily due to the one-off expenses we recorded in 2015 related to the restructuring of our Kazakhstan operations where we continue only to sell to franchisees.

Operating Profit

The following table shows our operating profit for the periods indicated:

	Fiscal Year					
	2015		2016		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Operating profit	**90,786**	**8.6**	**123,680**	**9.5**	**32,894**	**36.2**

Due to the reasons stated above, our operating profit increased from TL 90.8 million in Fiscal Year 2015 to TL 123.7 million in Fiscal Year 2016.

Net Finance Costs

Our finance income includes gains on interest and forward contracts. Under this position we also record interest income on the net of receivables and payables and other, minor items.

Our finance costs consist of expenses on currency difference, credit card commission, import finance, interest expenses with regarding financial debts and imputed interest on purchases.

The following table shows our finance income, finance costs and net finance costs for the periods indicated:

	Fiscal Year				Change	
	2015		2016			
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Finance income	11,112	1.1	15,311	1.2	4,199	37.8
Finance costs	(55,838)	5.3	(70,531)	5.4	(14,693)	26.3
Net finance costs	**(44,726)**	**4.2**	**(55,220)**	**4.2**	**(10,493)**	**23.5**

Our finance income increased from TL 11.1 million in Fiscal Year 2015 to TL 15.3 million in Fiscal Year 2016. This increase was primarily the result of a change in the fair value of forward contracts from TL 8.8 million in Fiscal Year 2014 to TL 12.7 million by the end of fiscal year 2016.

Our finance costs increased from TL 55.8 million in Fiscal Year 2015 to TL 70.5 million in Fiscal Year 2016. This increase was primarily the result of foreign exchange loss mainly caused by the depreciation of TL, an increase in currency exchange rates of our foreign currency denominated loans and imputed interest on purchases.

Our net finance costs increased from TL 44.7 million in Fiscal Year 2015 to TL 55.2 million in Fiscal Year 2016.

Profit Before Tax

The following table shows our profit before tax for the periods indicated:

	Fiscal Year				Change	
	2015		2016			
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Profit before tax	**46,060**	**4.4**	**68,460**	**5.2**	**22,401**	**48.6**

Our profit before tax increased from TL 46.1 million in Fiscal Year 2015 to TL 68.5 million in Fiscal Year 2016.

Taxes

Under Turkish tax law, Mavi and its consolidated subsidiaries do not form a group for taxation purposes. As a result, the tax expense and income items in our consolidated financial statements do not reflect taxation of our consolidated income. Rather, they reflect a summation of the respective unconsolidated tax expenses and income of Mavi and its consolidated subsidiaries.

During the period under review, the statutory corporate income tax rate in Turkey was 20%. The same rate applied to our Dutch and Russian subsidiaries. The statutory tax rate applying to our German subsidiary during this period was 29.72% for the Fiscal Year 2016 and 29.58% for the Fiscal Year 2015. The statutory tax rate applying to our U.S. subsidiary during the consolidation period was 34%. The statutory tax rate applying to our Canada subsidiary during the consolidation period was 26.30%. Our consolidated effective tax rate was 24.3% for the Fiscal Year 2016. Our effective tax rate is expected to decline as non-deductible expenses due to the restructuring of our Kazakhstan investment will not exist in the future.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases which is used in the computation of taxable profit.

The following table shows our income tax expense, tax expense and deferred tax income/expense for the periods indicated:

	Fiscal Year				Change	
	2015		2016			
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Income tax expense	**(12,607)**	**1.2**	**(16,647)**	**1.3**	**(4,041)**	**32.1**
- Tax expense	(13,140)	1.2	(15,524)	1.2	(2,384)	18.1
- Deferred tax income / (expense)	533	0.1	(1,123)	0.1	(1,656)	

Our income tax expense increased from TL 12.6 million in Fiscal Year 2015 to TL 16.6 million in Fiscal Year 2016.

Profit

The following table shows our profit for the periods indicated:

	Fiscal Year				Change	
	2015		2016			
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Profit	**33,453**	**3.2**	**51,813**	**4.0**	**18,360**	**54.9**

As a result of the factors described above, our profit increased from TL 33.5 million in Fiscal Year 2015 to TL 51.8 million in Fiscal Year 2016.

	Fiscal Year				Change	
	2015		2016			
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit liability	(1,016)	-0.1	(313)	0.0	703	-69.2
- Related tax	203	0.0	63	0.0	(140)	-69.2
Items that are or may be reclassified to profit or loss						
Foreign operations - foreign currency translation differences	1,335	0.0	436	0.0	(899)	-67.4
Other comprehensive income net of tax	**523**	**0.0**	**186**	0.0	**(337)**	-64.5

Other Comprehensive Income Net of Tax

Other comprehensive income net of tax consist of remeasurements of defined benefit liability, related tax and foreign currency translation differences derived from our foreign operations.

Other comprehensive income net of tax decreased from TL 0.5 million in Fiscal Year 2015 to TL 0.2 million in Fiscal Year 2016. This decrease is mainly due to the decrease in foreign currency translation differences related to foreign operations.

In order to consolidate the results of operations of the Company and its subsidiaries, functional currency financials of the subsidiaries are converted into TL and the currency translation differences between the functional currency and TL are reflected into this line item. The foreign currency translation differences account decreased from TL 1.3 million in Fiscal Year 2015 to TL 0.4 million in Fiscal Year 2016 due to the foreign exchange rate difference between TL and functional currencies of our subsidiaries.

Fiscal Year 2015 Compared to Fiscal Year 2014

	Fiscal Year					
	2014		2015		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Revenue	895,071	100.0	1,052,807	100.0	157,736	17.6
Cost of sales	(460,226)	51.4	(528,395)	50.2	(68,169)	14.8
Gross profit	**434,845**	**48.6**	**524,412**	**49.8**	**89,567**	**20.6**
Administrative expenses	(47,657)	5.3	(55,615)	5.3	(7,957)	16.7
Selling and marketing expenses	(294,614)	32.9	(357,951)	34.0	(63,337)	21.5
Research and Development expenses	(14,555)	1.6	(15,662)	1.5	(1,107)	7.6
Other income	713	0.1	2,819	0.3	2,106	295.2
Other expenses	(4,535)	0.5	(7,218)	0.7	(2,682)	59.1
Operating profit	**74,197**	**8.3**	**90,786**	**8.6**	**16,589**	**22.4**
Finance income	2,243	0.3	11,112	1.1	8,868	395.3
Finance costs	(47,686)	5.3	(55,838)	5.3	(8,152)	17.1
Net finance costs	**(45,443)**	**5.1**	**(44,726)**	**4.2**	**716**	**-1.6**
Profit before tax	**28,754**	**3.2**	**46,060**	**4.4**	**17,306**	**60.2**
Income tax expense	(9,869)	1.1	(12,607)	1.2	(2,737)	27.7
- Tax expense	(5,366)	0.6	(13,140)	1.2	(7,774)	144.9
- Deferred tax income / (expense)	(4,504)	0.5	533	0.1	5,037	—
Profit	**18,885**	**2.1**	**33,453**	**3.2**	**14,568**	**77.1**
Profit attributable to:						
Owners of the Company	18,885	2.1	33,453	3.2	14,568	77.1
Non-controlling interests	—	—	—	—	—	—
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit liability	(991)	-0.1	(1,016)	-0.1	(25)	2.5
- Related tax	198	0.0	203	0.0	5	2.5
Items that are or may be reclassified to profit or loss						
Foreign operations - foreign currency translation differences	3,078	0.3	1,335	0.1	(1,743)	-56.6
Other comprehensive income net of tax	**2,285**	**0.3**	**523**	**0.0**	**(1,763)**	**-77.1**

Revenue

The following table shows our revenue for the periods indicated:

	Fiscal Year					
	2014		2015		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Revenue	895,071	100.0	1,052,807	100.0	157,736	17.6

Our consolidated revenue increased from TL 895.1 million in Fiscal Year 2014 to TL 1,052.8 million in Fiscal Year 2015. This increase was primarily the result of revenue growth in our Turkish market. Decreases in revenue in our other markets partly offset our domestic revenue growth.

The following table shows a breakdown of our consolidated revenue by sales channel for the periods indicated:

	Fiscal Year				Change	
	2014		2015			
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Retail	573,212	64.0	729,394	69.3	156,181	27.2
Wholesale	310,517	34.7	309,231	29.4	(1,286)	-0.4
E-commerce	11,341	1.3	14,182	1.3	2,841	25.1
Total revenue	**895,071**		**1,052,807**		**157,736**	**17.6**

Our consolidated retail revenue increased from TL 573.2 million in Fiscal Year 2014 to TL 729.4 million in Fiscal Year 2015. This increase was primarily the result of increased retail revenues in Turkey.

Our consolidated wholesale revenue decreased from TL 310.5 million in Fiscal Year 2014 to TL 309.2 million in Fiscal Year 2015 due to a decrease in international wholesale business, which was partially offset by the increase in the wholesale business in Turkey.

Our consolidated e-commerce revenue increased from TL 11.3 million in Fiscal Year 2014 to TL 14.2 million in Fiscal Year 2015. The increase in e-commerce revenue was the result of an increase in e-commerce in Turkey and Europe.

The following table shows a breakdown of our revenue by geographic market for the periods indicated:

	Fiscal Year				Change	
	2014		2015			
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Turkey	752,281	84.0	925,705	87.9	173,424	23.1
Europe	101,478	11.3	96,247	9.1	(5,231)	-5.2
Russia	26,249	2.9	19,401	1.8	(6,848)	-26.1
Rest of World	15,064	1.7	11,455	1.1	(3,609)	-24.0
Total	**895,071**		**1,052,807**		**157,736**	

Turkish Operations. The following table shows a breakdown of our revenues in Turkey by sales channel for the periods indicated:

	Fiscal Year				Change	
	2014		2015			
	thousand TL	% of Revenue in Turkey	thousand TL	% of Revenue in Turkey	thousand TL	%
Retail	550,658	73.2	703,642	76.0	152,985	27.8
Franchise	93,897	12.5	102,062	11.0	8,165	8.7
Corner store	39,994	5.3	43,933	4.7	3,939	9.9
Department store	50,951	6.8	54,945	5.9	3,993	7.8
Other	7,044	0.9	8,764	0.9	1,720	24.4
Wholesale	191,886	25.5	209,703	22.7	17,817	9.3
E-commerce	9,737	1.3	12,359	1.3	2,623	26.9
Total revenue in Turkey	**752,281**		**925,705**		**173,424**	

Our revenue in Turkey increased from TL 752.3 million in Fiscal Year 2014 to TL 925.7 million in Fiscal Year 2015. This increase was primarily the result of growth in our retail sales, though we increased our revenue in Turkey across all sales channels.

Our retail revenue in Turkey increased from TL 550.7 million in Fiscal Year 2014 to TL 703.6 million in Fiscal Year 2015. This increase was the result of growth in all categories of our Turkish retail business: primarily, increased sales on a like-for-like basis along with revenue added by the 27 new stores we opened and expanded stores in that fiscal year and ramp-up and full-year impact of stores that were opened in the previous fiscal year.

On an LFL basis, our retail revenue in Turkey increased by 14.7% and expansions of existing stores had an impact of additional 3,117 sqm to our floorspace.

Turkish wholesale revenue increased from TL 191.9 million in Fiscal Year 2014 to TL 209.7 million in Fiscal Year 2015. This increase was primarily the result of increased sales to our franchise mono-brand stores as well as to department and corner stores.

Our e-commerce revenue in Turkey increased from TL 9.7 million in Fiscal Year 2014 to TL 12.4 million in Fiscal Year 2015. This increase was primarily the result of increased traffic to our www.mavi.com site, due to concentrated digital marketing, leading to a growth in membership numbers as well as a slight increase in average basket size.

International Operations. The following table shows a breakdown of our revenues in Europe by sales channel for the periods indicated:

	Fiscal Year					
	2014		2015		Change	
	thousand TL	% of Revenue in Europe	thousand TL	% of Revenue in Europe	thousand TL	%
Retail	16,026	15.8	16,834	17.5	807	5.0
Wholesale	83,847	82.6	77,590	80.6	(6,257)	-7.5
E-commerce	1,605	1.6	1,823	1.9	219	13.6
Total revenue in Europe	**101,478**		**96,247**		**(5,231)**	**-5.1**

Revenue in Europe decreased from TL 101.5 million in Fiscal Year 2014 to TL 96.2 million in Fiscal Year 2015. This decrease was primarily the result of a decrease in wholesale revenue, as sales to department stores declined and we discontinued sales to certain corner shops, although both retail and e-commerce operations had a growth in the same period.

Our revenue in Russia decreased from TL 26.3 million in Fiscal Year 2014 to TL 19.4 million in Fiscal Year 2015. This decrease was primarily the result of the decline in the value of the ruble against the TL. Also contributing to the decrease was a decline in wholesale revenue, due to both Russian macroeconomic developments and the reduced importance to us of wholesale operations Russia, where retail revenue have grown rapidly at a rate of 40%. Our increased retail sales in Russia during Fiscal Year 2015 partly offset the decrease in revenue in that year.

Revenue in the Rest of World decreased from TL 15.1 million in Fiscal Year 2014 to TL 11.5 million in Fiscal Year 2015. This decrease was primarily the result of a slowdown in exports from Turkey and the absence of revenue from Kazakhstan as a consequence of our discontinuation of retail sales and our strategic decision regarding the sole continuance of wholesale channels in that market.

Cost of Sales and Gross Profit

The following table shows our cost of sales and gross profit for the periods indicated:

	Fiscal Year					
	2014		2015		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Cost of sales	(460,226)	51.4	(528,395)	50.2	(68,169)	14.8
Gross profit	**434,845**	**48.6**	**524,412**	**49.8**	**89,567**	**20.6**

Our cost of sales increased from TL 460.2 million in Fiscal Year 2014 to TL 528.4 million in Fiscal Year 2015. This increase reflects the growth in our revenue over the same period. However, as a percentage of revenue, cost of sales decreased from 51.4% to 50.2%. This was the result of an increase in the percentage of retail sales in our total sales and better profitability in wholesale channels. This increase reflects the growth in our revenue over the same period as well as a better maintained margin, which we attribute to the growing retail portion of our total sales and the higher margins we achieve through retail operations.

Our gross profit increased from TL 434.8 million in Fiscal Year 2014 to TL 524.4 million in Fiscal Year 2015. This increase was the result of revenue growth coupled with a proportionally smaller growth in the cost of sales.

Administrative Expenses

The following table shows our administrative expenses for the periods indicated:

	Fiscal Year				Change	
	2014		2015			
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Administrative expenses	(47,657)	5.3	(55,615)	5.3	(7,957)	16.7

Our administrative expenses increased from TL 47.7 million in Fiscal Year 2014 to TL 55.6 million in Fiscal Year 2015. This increase was driven by the growth in sales which is in line with the increase in administrative expenses. As a percentage of revenue, administrative expenses remained stable across both periods.

Selling and Marketing Expenses

The following table shows our selling and marketing expenses for the periods indicated:

	Fiscal Year				Change	
	2014		2015			
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Selling and marketing expenses	(294,614)	32.9	(357,951)	34.0	(63,337)	21.5

Our selling and marketing expenses increased from TL 294.6 million in Fiscal Year 2014 to TL 358.0 million in Fiscal Year 2015. This increase was primarily the result of our growth in sales and retail expansion.

Our rent expenses increased from TL 105.6 million to TL 134.1 million. This increase was driven by the opening of new stores, the full year impact of stores opened in the previous fiscal year and the expansion of existing stores.

The majority of expenses related to personnel expenses in selling and marketing consist of personnel expenses in retail stores. Our personnel expenses increased from TL 99.2 million to TL 115.3 million. This increase was the result of an increase in the number of personnel in line with new stores opened in the relevant period.

Research and Development Expenses

The following table shows our research and development expenses for the periods indicated:

	Fiscal Year				Change	
	2014		2015			
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Research and Development expenses	(14,555)	1.6	(15,662)	1.5	(1,107)	7.6

Our research and development expenses increased from TL 14.6 million in Fiscal Year 2014 to TL 15.7 million in Fiscal Year 2015. This increase was primarily the result of an increase in our design, development and sourcing personnel expenses.

Other Income and Expenses

Other income consists of a variety of items that can vary in significance from one period to another. In both periods, other income mainly composed of decoration income, damage compensation income and salary protocol income signed with banks.

Other income realized TL 2.8 million in Fiscal Year 2015 where this income was TL 0.7 million in in Fiscal Year 2014. The difference mainly comes from an increase on decoration income received from shopping malls and damage compensation income.

Our other expenses increased from TL 4.5 million in Fiscal Year 2014 to TL 7.2 million in Fiscal Year 2015. This increase in expenses was primarily the result of the restructuring of our Kazakhstan investment and of expenses related to a fire that occurred in our design building.

The following table shows our other income and expenses for the periods indicated:

	Fiscal Year					
	2014		2015		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Other income	713	0.1	2,819	0.3	2,106	295.2
Other expenses	(4,535)	0.5	(7,218)	0.7	(2,682)	59.1

Operating Profit

The following table shows our operating profit for the periods indicated:

	Fiscal Year					
	2014		2015		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Operating profit	**74,197**	**8.3**	**90,786**	**8.6**	**16,589**	**22.4**

Our profit from operating activities increased from TL 74.2 million in Fiscal Year 2014 to TL 90.8 million in Fiscal Year 2015. As a percentage of revenues, our profit margin from operating activities[2] increased from 8.3% to 8.6%.

Net Finance Costs

The following table shows our finance income, finance costs and net finance costs for the periods indicated:

	Fiscal Year					
	2014		2015		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Finance income	2,243	0.3	11,112	1.1	8,868	395.3
Finance costs	(47,686)	5.3	(55,838)	5.3	(8,152)	17.1
Net finance costs	**(45,443)**	**5.1**	**(44,726)**	**4.2**	**716**	**-1.6**

Our finance income includes gains on foreign exchange. Under this position we also record interest income on the net of receivables and payables and other minor items. Our finance income increased from TL 2.2 million in Fiscal Year 2014 to TL 11.1 million in Fiscal Year 2015 mainly due to change in fair value of the forward contracts. Forward gain in Fiscal Year 2014 was significantly lower compared to forward gains in Fiscal Year 2015 and Fiscal Year 2016, due to relatively stable foreign exchange rates in Fiscal Year 2014.

Our finance costs increased from TL 47.7 million in Fiscal Year 2014 to TL 55.8 million in Fiscal Year 2015. This increase was primarily the result of an increase on interest expense on purchases and currency difference expenses. Our net finance costs decreased from TL 45.4 million in Fiscal Year 2014 to TL 44.7 million in Fiscal year 2015.

Profit Before Tax

The following table shows our profit before tax for the periods indicated:

	Fiscal Year					
	2014		2015		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Profit before tax	**28,754**	**3.2**	**46,060**	**4.4**	**17,306**	**60.2**

Our profit before tax increased from TL 28.8 million in Fiscal Year 2014 to TL 46.1 million in Fiscal Year 2015.

[2] Profit margin from operating activities means the ratio of operating profit to revenues

Taxes

The following table shows our income tax expense, tax expense and deferred tax income/expense for the periods indicated:

	Fiscal Year					
	2014		2015		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Income tax expense	**(9,869)**	**1.1**	**(12,607)**	**1.2**	**(2,737)**	**27.7**
- Tax expense	(5,366)	0.6	(13,140)	1.2	(7,774)	144.9
- Deferred tax income / (expense)	(4,504)	0.5	533	0.1	5,037	

Our income tax expense increased from TL 9.9 million in Fiscal Year 2014 to TL 12.6 million in Fiscal Year 2015. This increase was primarily the result of an increase in profit before tax.

Our tax expense increased from TL 5.4 million in Fiscal Year 2014 to TL 13.1 million in Fiscal Year 2015. This increase was primarily the result of an increase in profit before tax.

Our deferred tax expense changed from an expense of TL 4.5 million in Fiscal Year 2014 to a benefit of TL 0.5 million in Fiscal Year 2015. This change was primarily the result of numerous temporary differences between book values (per accounting standards) and tax values.

Profit

The following table shows our profit for the periods indicated:

	Fiscal Year					
	2014		2015		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Profit	**18,885**	**2.1**	**33,453**	**3.2**	**14,568**	**77.1**

As a result of the factors described above, our profit increased from TL 18.9 million in Fiscal Year 2014 to TL 33.5 million in Fiscal Year 2015.

	Fiscal Year					
	2014		2015		Change	
	thousand TL	% of Revenue	thousand TL	% of Revenue	thousand TL	%
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit liability	(991)	-0.1	(1,016)	-0.1	(25)	2.5
- Related tax	198	0.0	203	0.0	5	2.5
Items that are or may be reclassified to profit or loss						
Foreign operations - foreign currency translation differences	3,078	0.3	1,335	0.1	(1,743)	-56.6
Other comprehensive income net of tax	**2,285**	**0.3**	**523**	**0.0**	**(1,763)**	**-77.1**

Other Comprehensive Income Net of Tax

Other comprehensive income net of tax consist of remeasurements of defined benefit liability, related tax and foreign currency translation differences derived from foreign operations of the company.

Other comprehensive income net of tax decreased from TL 2.3 million in Fiscal Year 2014 to TL 0.5 million in Fiscal Year 2015. This decrease is mainly due to the decrease in foreign currency translation differences related to foreign operations.

In order to consolidate the results of operations of the Company and its subsidiaries, hard currency financials of the subsidiaries are converted into TL and the currency translation differences between the hard currency and TL are reflected in the Foreign operations—foreign currency translation differences line item. Foreign operations—foreign currency translation differences line item decreased from TL 3.1 million in Fiscal Year 2014 to TL 1.3 million in Fiscal Year 2015 due to the foreign exchange rates difference between TL and hard currencies of our subsidiaries.

Liquidity and Capital Resources

We need cash primarily to fund our strategic expansion plans and capital expenditures, as discussed in more detail under "*Business—Our Strategy*" and "*—Capital Expenditures*", as well as to meet our working capital needs. We fund these capital requirements through a variety of sources, including cash generated from our operations and, if necessary, short and long term lines of credit and other borrowings.

As of the date of this offering circular, our management believes that we have liquidity and access to medium and long term financing that will allow us to ensure the necessary resources to meet our commitments for future investments.

Cash Flows

In Fiscal Year 2015 we increased our cash and cash equivalents by TL 18.8 million and in Fiscal Year 2016 we increased our cash and cash equivalents by TL 44.0 million.

The following table summarizes our cash flows for the periods indicated:

	Fiscal Year		
	2014	2015	2016
		(*thousand TL*)	
Net profit for the year	18,885	33,453	51,813
Reconciling for non-cash items	79,898	102,539	119,708
Changes in working capital items	20,917	(7,949)	(24,327)
Employee benefits and income tax paid	(9,342)	(15,084)	(19,289)
Net cash from operating activities	110,358	112,959	127,904
Net cash used in investing activities	(60,423)	(55,612)	(77,794)
Net cash used in financing activities	(30,378)	(38,590)	(6,084)
Net increase in cash and cash equivalents	19,557	18,758	44,027
Cash and cash equivalents at the beginning of the period	72,490	92,047	110,805
Cash and cash equivalents at the end of the period	92,047	110,805	154,832

Cash flow from/used in operating activities

In Fiscal Year 2016 we generated TL 171.5 million of cash when we add non cash adjustments to net profit for the year and in Fiscal Year 2015 we generated TL 136.0 million of cash when we add non cash adjustments to net profit for the year. In Fiscal Year 2016 we used TL 24.3 million of cash in working capital and in Fiscal Year 2015 we used TL 7.9 million of cash in working capital. The primary reason for the increase in the use of cash for working capital is that we used TL 16.4 million more in financing trade receivables and that we used TL 65.8 million more in financing inventories, which was largely off-set by TL 62.0 million less cash used in financing trade payables in Fiscal Year 2016 compared to Fiscal Year 2015. The increase in the use of trade receivables is mainly related to and in line with the increase in sales of Turkey wholesale segment. The increase in inventories and trade payables is mainly related to the early arrival of new season inventory prior to January 31, 2017. As a result of the above and after employee benefits and income tax paid, in Fiscal Year 2016 we generated TL 127.9 million of cash in operating activities and in Fiscal Year 2015 we generated TL 113.0 million of cash in operating activities.

In Fiscal Year 2014 we generated TL 98.8 million of cash when we add non cash adjustments to net profit for the year and in Fiscal Year 2015 we generated TL 136.0 million of cash when we add non cash adjustments to net profit for the year. In Fiscal Year 2015 we used TL 7.9 million of cash in working capital and in Fiscal Year 2014 we generated TL 20.9 million of cash from working capital. The primary reason for the TL 28.9 million decrease in cash generated from working capital is that we generated TL 24.9 million less cash from trade payables in Fiscal Year 2015 compared to Fiscal Year 2014. This was mainly related to import factoring payables which increased by TL 20.4 million in Fiscal Year 2014 and remained flat in Fiscal Year 2015. As a result of the above and after employee benefits and income tax paid, in Fiscal Year 2015 we generated TL 113.0 million of cash in operating activities and in Fiscal Year 2014 we generated TL 110.4 million of cash in operating activities.

Cash flow used in investing activities

In Fiscal Year 2016 we used TL 77.8 million of cash in investing activities and in Fiscal Year 2015 we used TL 55.6 million of cash in investing activities. The primary reason for this increase was our acquisition of the majority interest in our U.S. and Canadian subsidiaries. This acquisition resulted in a cash outflow of TL 16.2 million, net of cash acquired.

In Fiscal Year 2015 we used TL 55.6 million of cash in investing activities and in Fiscal Year 2014 we used TL 60.4 million of cash in investing activities. The decrease in cash used in investing activities was mainly a function of TL 5.4 million less cash used in tangible assets off-set by TL 1 million more cash used in intangible assets. The decrease in cash used in tangible assets is mainly related to a lower gross number of stores opened in Fiscal Year 2015 compared to Fiscal Year 2014. The increase in cash used in intangible assets is related to TL 3.2 million cash used in rights (mainly software licenses) which was partially off-set by TL 2.1 million lower cash used in goodwill.

Cash flow used in financing activities

In Fiscal Year 2016 we used TL 6.1 million of cash in financing activities and in Fiscal Year 2015 we used TL 38.6 million of cash in financing activities. In Fiscal Year 2014 we used TL 30.4 million of cash in financing activities. In Fiscal Year 2014, we paid out dividends in the amount of TL 28.4 million.

Net Working Capital

The following table sets forth a breakdown of our net working capital as at the dates indicated.

	Fiscal Year End		
	2014	**2015**	**2016**
		(thousand TL)	
Trade receivables	78,415	74,660	109,381
Of which:			
Due from related parties	857	1,730	4,059
Due from third parties	77,558	72,929	105,322
Inventories	154,724	177,346	287,844
Of which:			
Trade goods	166,950	196,083	302,882
Provision for impairment	(12,227)	(18,737)	(15,038)
Other current and non-current assets	41,520	43,338	59,558
Of which:			
Other receivables	15,378	14,458	23,505
Prepayments	16,500	15,904	20,456
Other current assets	9,642	12,976	15,597
Trade payables	(199,977)	(213,723)	(299,516)
Of which:			
Due to related parties	(48,989)	(48,019)	(108,740)
Due to third parties	(150,988)	(165,703)	(190,775)
Other current and non-current liabilities	(33,264)	(44,314)	(60,836)
Of which:			
Payables to employees	(12,335)	(15,025)	(14,849)
Deferred revenue	(8,734)	(10,738)	(12,104)
Other payables	(4,385)	(3,404)	(10,356)
Provisions for employee benefits	(2,682)	(3,839)	(5,310)
Other provisions	(3,518)	(6,019)	(8,471)
Other current liabilities	(1,610)	(5,288)	(9,746)
Net Working Capital	**41,417**	**37,308**	**96,431**

The assets that make up our net working capital are trade receivables, inventories and other current and non-current assets, which include other receivables, prepayments and other current assets. Liabilities included in our net working capital are trade payables and other current and non-current liabilities, which include payables to employees, deferred revenues, other payables (excluding put-option liability regarding minority shares of Mavi Europe and payment due, regarding the acquisition of U.S. and Canada businesses (see "—*Key Factors Affecting Our Results of Operations—Capital Expenditures*") provisions for employee benefits, other provisions and other current liabilities.

Changes in our net working capital (which reflect increases and decreases in cash flows) are mainly due to increases in our revenue and, in Fiscal Year 2016, the first-time consolidation of our U.S. and Canadian businesses.

The total impact of the first-time consolidation of our U.S. and Canadian businesses on our net working capital as at its consolidation date, September 1, 2016 was TL 35.1 million, as they increased our trade receivables by TL 20.7 million, increased our inventories by TL 35.0 million, increased our other current and non-current assets by TL 1.9 million, increased our trade payables by TL 18.1 million and increased our other current and non-current liabilities by TL 4.4 million. Mavi USA and Mavi Canada's net working capital are entirely consolidated into our net working capital, while their revenues and costs are consolidated as from September 1, 2016, distorting the percentages to sales.

Once we exclude the total impact of the first time consolidation of Mavi USA and Mavi Canada, our net working capital increased by TL 24.0 million as at Fiscal Year End 2016 compared to Fiscal Year End 2015. The increase in working capital is mainly related to the increase in trade receivables by TL 14.0 million which is mainly related to and in line with the increase in wholesale segment revenues. Another reason for the increase in net working capital is the increase in inventories which is related to early arrival of new season inventory prior to January 31, 2017. The increase in inventories is largely off-set by the increase in trade payables.

We believe that, given our existing credit facilities and available cash resources, the working capital available to us is sufficient for our present requirements and for at least the next twelve months.

Borrowings

The following table shows information about our borrowings as at the dates indicated.

	Fiscal Year End		
	2014	**2015**	**2016**
		(thousand TL)	
Unsecured bank loans	103,732	76,197	148,416
Secured bank loans	—	—	47
Current portions of unsecured bank loans	42,741	70,155	79,128
Bank overdraft	128	569	3,224
Current liabilities	**146,601**	**146,921**	**230,815**
Unsecured bank loans	44,556	42,475	105,209
Non-current liabilities	**44,556**	**42,475**	**105,209**
Total	**191,157**	**189,396**	**336,024**

The following table shows a breakdown of our borrowings by currency of denomination as at the dates indicated.

	Fiscal Year End		
	2014	**2015**	**2016**
		(thousand TL)	
TL	102,871	93,404	163,279
Euro	85,888	93,545	103,079
U.S. dollar	2,399	2,447	69,618
Canadian dollar	—	—	47
Total	**191,157**	**189,396**	**336,024**

Our ratio of net debt to EBITDA was 1.0, 0.6 and on pro forma basis 1.0, respectively, in Fiscal Year End 2014, Fiscal Year End 2015 and Fiscal Year End 2016.

In Fiscal Year 2016, 0.6, calculated as (aggregate net debt of Mavi USA and Mavi Canada + TL equivalent of initial payment at the time of acquisition) / EBITDA, of our 1.0 net debt to EBITDA ratio was related to our acquisition of Mavi USA and Mavi Canada as we consolidated their net debts into our financials.

We borrow from financial institutions to finance retail operations in and outside Turkey. We use Turkish Eximbank facilities to effectively manage our net working capital. As of the date of this offering circular, our total cash credit line is TL 384,209,929, $197,750,000, €45,000,000 and C$2,000,000; the total non-cash credit line is TL 45,000,000, $ 12,700,000 and €2,061,000.

Capital Expenditures

We incur capital expenditures primarily in connection with the expansion of our retail channel. The table below sets forth a breakdown of our capital expenditures for the periods indicated, and ignores the impact of the acquisition of Mavi USA and Mavi Canada.

	Fiscal Year		
	2014	**2015**	**2016**
	(thousand TL)		
Furniture and fixtures	21,749	20,036	25,716
Leasehold improvements	22,951	21,178	19,419
Vehicles	1	139	—
Construction in progress	11,396	9,357	9,604
Tangible fixed assets	**56,097**	**50,710**	**54,739**
Licenses	3,273	6,430	6,713
Brand	—	—	923
Goodwill	2,123	—	194
Intangible assets	**5,396**	**6,430**	**7,831**
Total	**61,493**	**57,141**	**62,570**

A substantial majority of our capital expenditures are for tangible fixed assets. During the period under review, the largest portion of our expenditures on tangible fixed assets has been for furniture and fixtures and for leasehold improvements, primarily related to the new stores and expansion, renovation and update of the existing retail stores.

In addition to the capital expenditures above, we have acquired 51% of the share capital of Eflatun, which owns the entire share capital of Mavi USA and 75% of Mavi Canada as of August 12, 2016. As at the acquisition date and Fiscal Year End 2016, Eflatun has no operations and is a holding company controlling both Mavi USA and Mavi Canada. For the acquisition of 51% of the share capital of Eflatun, we have paid an initial payment of $5,750,000 (equivalent to TL 16,807,250 as at the date of acquisition) and $9,352,370 million on May 17, 2017 as the contingent consideration and the sellers may be eligible to receive an exit adjustment payment depending on the EBITDA multiplier in the Offering. See "*—Contractual Commitments*" and "*Related Party Transactions—Eflatun Acquisition*".

As of Fiscal Year End 2017, as part of our retailization strategy our investments to new directly operated mono-brand stores in Çerkezköy, Şanlıurfa, Bursa, Adana, İzmir and Kayseri totaled up to TL 0.7 million. As of the date of this offering circular investments relating to such stores are completed, except for the directly operated mono-brand store located in İzmir. We utilized foreign sources in order to finance these investments.

Contractual Commitments

The following table shows our material contractual commitments as at Fiscal Year End 2016:

	Payments due by period			
	Total	**< 1 year**	**1-5 years**	**> 5 years**
	(thousand TL)			
Debt obligations	371,413	231,642	139,771	—
Trade payables excluding related party payables	193,562	193,562	—	—
Payables to related parties	108,515	108,515	—	—
Payables relating to employee benefits	14,849	14,849	—	—
Contingent consideration relating to Mavi USA and Mavi Canada acquisition[1]	33,248	33,248	—	—
Put option liability relating to minority shareholding in Mavi Europe[2]	10,246	10,246	—	—
Total	**731,833**	**592,061**	**139,771**	**—**

1) We included $8,587,458, the equivalent of TL 25,371,643, at the time of our acquisition of Mavi USA and Mavi Canada as contingent additional consideration, which represents its fair value at the date of acquisition. In May, 2017 we paid $9,352,370 as the contingent consideration and the sellers may be eligible to receive an exit adjustment payment depending on the EBITDA multiplier in the Offering.

2) The three minority shareholders of Mavi Europe hold a put option permitting them to require us to purchase their shareholdings in Mavi Europe. They exercised this option in March 29, 2017. We expect to complete our acquisition of these shares in October 2017, following which we will be the sole shareholder of Mavi Europe.

We have a call option, which will become effective as of February 1, 2018 for a period of three years, to acquire the remaining shares of Fatma Elif Akarlılar and Seyhan Akarlılar in Eflatun. We can exercise this call option once only for all remaining shares and only during the month of May of any year in which the option is in effect. Fatma Elif Akarlılar and Seyhan Akarlılar, on the other hand, have a put option, which will become effective as of February 1, 2018 for a period of three years, with respect to the same shares. Fatma Elif Akarlılar and Seyhan Akarlılar can only exercise this put option during the month of May of any year in which the option is in effect. Fatma Elif Akarlılar and Seyhan Akarlılar can exercise the put option in several tranches for any percentage of remaining shares.

In the event of exercise of the call or put option, the purchase price, which will be paid in cash, will be calculated as follows:

- Eflatun's financial indebtedness will be deducted from Eflatun's enterprise value, which is defined as a transaction multiplier times preceding fiscal year's EBITDA. If, at the time of calculation, the Company is a private company, the transaction multiplier will be 10. If at that time the Company is a public company (e.g. if the Offering closes successfully), the transaction multiplier will be calculated as dividing our enterprise value to be calculated as the aggregate of our market capitalization (to be calculated based on the average of the daily WVAP for the last 3 months of the fiscal year prior to the exercise of the put option) and the financial indebtedness as at the end of the latest fiscal year, to our EBITDA in the last twelve months. In this scenario, the transaction multiplier will be subject to a third party review by a CMB licensed independent valuation company to be selected by our Audit Committee.
- The resulting amount will be multiplied by the percentage of shares to be sold (in the case of the call option, 49%).

Contractual commitments relating to lease agreements show our minimum payment requirement for the lease agreements executed with respect to our operations. In most of those lease agreements, we reserve the right to unilaterally terminate the agreement with six months prior notice.

Off-Balance Sheet Arrangements

The total collateral amounts provided to the third parties and related parties that we are in a commercial relationship with are TL 104.5 million as at Fiscal Year End 2016, TL 154.7 million as at Fiscal Year End 2015 and TL 129.1 million as at Fiscal Year End 2014.

As a major part of this, the amount of guarantee letter provided to Turkish Eximbank for the loans is TL 61 million as at Fiscal Year End 2016 (TL 84.1 million as at Fiscal Year End, 2015 and TL 58.7 million as at Fiscal Year End 2014).

Critical Accounting Policies

Critical accounting policies involve judgments and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. We believe that our most critical accounting policies are those described below.

We provide a detailed description of some of the principal accounting policies we use in preparing our consolidated financial statements in Note 2 to the Financial Statements included in this offering circular beginning on page F-1.

Allowance for inventory impairment

Under our accounting policy for provisions on impairment of inventory, we periodically assess the net realizable value of slow-moving inventory and recognize the provision on impairment of inventory under cost of goods sold.

Provision for employee termination benefits

Turkish law requires Mavi and its Turkish subsidiaries to pay a severance payment to employees who have completed one year of service and who retire or whose employment is terminated for reasons other than resignation or misconduct. The severance payment is equal to 30 days' pay, subject to a maximum established and periodically adjusted by the Turkish government, for each year of employment at the rate of pay applicable on the date of retirement or termination. Employee benefits represent the present value of the estimated future probable obligation of the Company arising from the retirement of the employees and calculated in accordance with the Turkish Labor Law.

We calculate a provision for severance pay and recognize the provision in our financial statements on a current basis. IAS 19 requires us to develop actuarial valuation methods to estimate obligations under defined benefit plans. To calculate our liability for severance payments, we estimate the present value of our probable future obligations of the Company arising from retirement of employees based upon the retirement pay ceiling announced by the Government. In doing so, we assume that, in future periods, the Government will adjust the maximum payment to correct for the effects of inflation. In order to determine the discount rate that we use in calculating our provision for employee termination benefits, therefore, we must estimate both real interest rates and future inflation. The actuarial gains/losses are recognized under other comprehensive income.

We have not recorded any reserve for employee severance payments for our employees in foreign subsidiaries (except Mavi Russia) since only under very specific circumstances is a company is liable to pay a severance payment according to labor laws of the foreign entities.

Allowance for doubtful receivables

We recognize provisions for doubtful receivables by establishing an allowance for impairment that represents our estimate of incurred losses in respect of accounts receivable. We consider evidence of impairment for receivables at individual asset level. All individually significant receivables are assessed for specific impairment. In assessing collective impairment, we use historical information on the timing of recoveries and the amount of loss incurred and make an adjustment if current economic benefit and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

Quantitative and Qualitative Disclosures about Market Risk

We face a number of risks, including market risks, in our operations. The primary market risks to which we are exposed are currency risk and credit risk. For a more detailed discussion of market and other risks that we face in our operations, including a sensitivity analysis, see Notes 33 and 34 to our Financial Statements included in this offering circular, beginning on page F-1.

Foreign Currency Risk

We are exposed to risk from fluctuation in the exchange rates between TL and our other functional currencies. These are the euro, the U.S. dollar and the Russian ruble. Since our acquisition of Mavi USA and Mavi Canada in August 2016, we are also exposed to currency risk relating to the Canadian dollar, while our U.S. dollar currency risk has increased.

All else being equal, when the lira strengthens against a non-Turkish functional currency, our revenue and expenses from operations in the relevant non-Turkish market decrease when we translate them into lira upon consolidation. A weakening of TL against a non-Turkish currency has the opposite effect.

We are also exposed to transaction risk from fluctuations in the exchange rates between the lira and our non-Turkish functional currencies. Transaction risk can arise when the currency in which we generate revenue is not the same as the currency in which we incur expenses related to that revenue. Transaction risk affects Mavi primarily through manufactured products that we import into Turkey from abroad. These transactions are typically denominated in U.S. dollars. When the dollar strengthens against the lira, these imports become more expensive for us in lira terms, increasing our cost of sales and reducing our gross margin. We use derivative financial instruments such as short-term forward foreign exchange purchase transactions to hedge currency risk related to purchases.

Our goal in signing forward contracts is to hedge our currency risk related to imports. This hedging enables us to prepare our budget accurately by eliminating the external currency risk factors. Our gains and losses on forward contracts under the finance income depend on both (i) amount of forward contracts and (ii) spread between the forward rate and the actual rate at the maturity. For the fiscal year ending January 31, 2018, we are entirely hedged against currency risk related to imports.

We are exposed to potential transaction risk relating to loans and trade payable. If we borrow money or have payables in a non-Turkish currency and must make payments on the loans or payables out of lira-denominated sources, a strengthening of the non-Turkish currency makes the loan or payables more expensive to repay, thereby increasing our financial expenses and cash used in financing activities. We are naturally hedged against transaction risk relating to the loans only to the extent that we match the currencies of our loans and payables with mainly non-Turkish currency trade receivables.

Where we are exposed to potential currency risk regarding purchasing products, we use derivative financial instruments, such as short-term forward foreign exchange purchase transactions, to mitigate the currency risk.

Interest Rate Risk

Interest rate risk arises primarily in connection with variable-rate interest debt instruments. The interest rates on such instruments change over time in line with prevailing market rates. As a result, increases in prevailing interest rates drive up the interest rate of the instruments, increasing the borrower's financial expenses.

As at Fiscal Year End 2016, our variable-rate indebtedness corresponds to an immaterial amount of our total financial indebtedness. As a result, we do not regard our exposure to interest-rate risk as material. Our exposure to this risk could increase in the future if we were to obtain funding through variable interest loans or bonds.

Although we do not have substantial variable-rate indebtedness, we do make use of bank financing. In many cases, the facilities that we use are short-term with less than one year. Because of their fixed rates, these instruments are not affected by changes in interest rates between funding and repayment. However, because the loans have short terms, rapid changes in interest rates can make it more expensive for us to refinance the loans on maturity if we need to do so. More generally, higher interest rates would make it more expensive for us to use debt financing.

BUSINESS

We are a casual lifestyle fashion business based in Istanbul, where we were founded in 1991. With strong denim roots, we have evolved into an international apparel and accessories brand for both women and men. We have built our success on products of superior quality and on our "Perfect Fit" strategy. Our "Perfect Fit" strategy aims to know our customers and their needs so that the brand and the products fully satisfy the customers' quality expectations and perfectly fit their bodies and their lifestyles, offering a high value for the price. In Fiscal Year 2016, on a pro forma basis, we sold 7.5 million denim items worldwide excluding Russia and Australia via a network of approximately 5,500 points of sale.

As at Fiscal Year End 2016, we operated 261 retail stores, our franchisees operated 70 franchise mono-brand stores and our products were sold in 436 multi-brand points of sale in Turkey.

Among the 5.7 million customers in Turkey who hold our loyalty program cards, approximately 3.9 million are active users, that is, individuals who have used their loyalty program cards while shopping with us during the last two years. We have built a loyal customer following and our core segment consists of young, fashion-conscious men and women under 35. We therefore believe that we are strongly positioned to benefit from the young demographics of Turkey. Our loyalty program, together with our social media presence, which recorded 3.3 million followers generating approximately 60 million impressions in 2016, gives us a powerful insight into customer preferences and trends.

Mavi is an aspirational lifestyle and customer centric brand. Our products are positioned between the upper end of the 'core' and the 'premium' section of the jeans market, with the ability to offer premium products. Our brand image translates into strong pricing power, which we reinforce through collaborations with leading designers, such as our cooperation with Adriano Goldschmied. Mavi was the number one jeans brand in Turkey for top-of-mind awareness (over 50%), according to a brand perception report prepared by GfK in June 2016 and has the highest market share in the Turkish jeans market according to Euromonitor (February 2017).

In 2008 we decided to accelerate our retail expansion. We have achieved a solid track record for growth since then, reaching 261 directly operated mono-brand stores and approximately 117,000 sqm net selling retail space within Turkey in Fiscal Year 2016 compared to c. 80,000 sqm and c. 99,000 sqm in Fiscal Year 2014 and Fiscal Year 2015. Adjusted LFL revenue growth at our retail stores in Turkey had an average of 16.3% and revenue at our retail stores in Turkey has grown at a CAGR of 24.7% between Fiscal Year 2014 and Fiscal Year 2016. Adjusted LFL revenue at our directly operated mono-brand stores in Turkey has grown at 14.1% in Fiscal Year 2016; and LFL revenue has grown at 10.8%. Our increased focus on retail has helped us grow across multiple categories, becoming a true lifestyle brand. In Fiscal Year 2016, we generated 56% of our total revenue from directly operated mono-brand stores in Turkey through sales of products in our Lifestyle category, that is, items outside the Denim Bottoms category. In 2013 we launched our e-commerce operations to complement the growth of our physical retail stores. We support the productivity of our stores with a flexible supply chain, with a strong focus on local sourcing that we believe creates advantages in terms of quality control, margins and time-to-market.

Internationally, we have built a strong reputation with our unique brand and brand recognition thanks to the quality of our denim products. The following table shows the number of denim products we sold in certain key non-Turkish markets in the periods indicated:

	Fiscal Year		
	2014(1)	**2015**(1)	**2016**(2)
	(Units in millions)		
Sales outside Turkey	1.3	1.0	1.6
Global sales including Turkey	5.8	6.0	7.5

1) Excludes Russia, Australia, the United States and Canada.
2) Excludes Russia and Australia; includes the United States and Canada on a pro forma basis as if our acquisition of Mavi USA and Mavi Canada had occurred on February 1, 2016. See "*Condensed Combined Pro Forma Financial Information*".

Our international distribution platform includes 61 mono-brand stores outside Turkey as well as strong wholesale and online partners such as Bloomingdale's, Nordstrom, Zappos.com, Simons, David Jones, P&C and Zalando.com.

We currently sell, directly or indirectly, in 34 different countries outside Turkey, with a network consisting of 61 mono-brand stores and approximately 4,650 multi-brand points of sale. Outside Turkey, we operate primarily in four geographical markets: the United States (following our acquisition of Mavi USA); Canada (following our acquisition of Mavi Canada); Europe (mainly Germany); and Russia. We are positioned in the upper segment of the jeans market and can provide premium products to our customers, such as our 34 Heritage line, a high-end men's denim bottom brand aimed at the U.S. and Canadian market.

We continue to focus both on retail expansion in Turkey and on international and online growth. In Fiscal Year 2016, we recorded consolidated revenue of TL 1,307.9 million, profit of TL 51.8 million and EBITDA of TL 170.2 million. As at Fiscal Year End 2016, our CAGR over the three fiscal years on consolidated revenue, profit and EBITDA increased by 20.9%, 65.6% and 28.4%, respectively. On a combined pro forma basis, adjusted to reflect the acquisition of our U.S. and Canadian subsidiaries, our revenue for Fiscal Year 2016 was TL 1.4 billion, our profit was TL 53.9 million and our EBITDA was TL 176.9 million. See "*Presentation of Financial and Other Information—Key Performance Indicators—EBITDA*."

Key Strengths

We believe that we have a number of strengths that position us well to achieve our strategy for growth. These include:

Aspirational Brand with Strong Identity

According to the brand perception report prepared by GfK in June 2016, in Turkey we were the number one jeans brand both overall and for top-of-mind awareness, and we were the jeans brand most preferred by 29% of women and 28% of men. The 2015 Turkey Youth Brands survey ranked us Best Youth Brand, while Roamler Türkiye's survey in October 2016 named us Coolest Brand in Turkey together with Apple and Samsung. In the Customers' Voice Report conducted by IPSOS and Kalder, we were ranked number one in the apparel sector in 2017 among brands creating customer loyalty with quality products and service.

Our brand awareness extends beyond Turkey into key markets such as the United States, Canada and Europe. We believe that our strong brand identity and position have given us robust pricing power and enabled us to expand from a jeans company to a ready-to-wear apparel company offering a full range of lifestyle products.

In addition to the benefits that brand awareness brings to our sales, our strong, aspirational brand also helps us recruit young and talented people both domestically and globally. We believe that our brand gives us a significant advantage in competing for high-quality, motivated employees at every level from in-store sales clerks to senior management.

The Mavi brand has attracted a young, loyal and fashion-conscious customer base. Among the 5.7 million customers in Turkey who held our loyalty program cards as at Fiscal Year End 2016, approximately 3.9 million were active users, that is, individuals who had used their loyalty program cards while shopping with us during the last two fiscal years. Customer use of our loyalty cards has shown that we have strong appeal to both men and women in the under-35 age cohort.

During Fiscal Year 2016, approximately 55% of all Turkish retail customers using our loyalty cards, and approximately 66% of Turkish retail customers using these cards for the first time, were under 35. 58% of male customers using our loyalty cards were under 35 and 30% of new male customers holding loyalty cards were under 25. During the same period, 56% of female customers using our loyalty cards were under 35 and 34% of new female customers holding loyalty cards were under 25. Also, 44% of our Turkish customers using our loyalty cards are women and 56% of our Turkish customers using our loyalty cards are men.

Membership in our loyalty program has grown at a CAGR of 24% over the three fiscal years ended Fiscal Year End 2016. Our core segment consists of young, fashion-conscious men and women under 35. We believe that this customer profile enables us to benefit from the increasing spending power of Millennial customers. Our loyalty card members typically have a larger basket size, buying more products and spending more money per transaction than non-members. Our loyalty program, together with our social media presence, which recorded 3.3 million followers generating approximately 60 million impressions in 2016, gives us a powerful insight into customer preferences and trends.

Success Built on Multi-Category Products

We have successfully developed a diversified, innovative and customer-centric product portfolio, expanding from our historical core Denim Bottoms business to a full range of Lifestyle products for men and women, focusing on an innovative response to customer desires and needs.

In Fiscal Year 2016, we sold 5.5 million Denim Bottoms in Turkey. Revenue in our Denim Bottoms category in our directly operated mono-brand stores in Turkey has grown at a CAGR of 26.4% over the three fiscal years ended at Fiscal Year End 2016. We offer a given fit over multiple seasons, but with a wide variety of details, washes and finishes. We believe that this system minimizes the risk we face from changing fashions and from seasonality.

Our Lifestyle category in Turkey has expanded strongly, with revenue in our directly operated mono-brand stores growing at a CAGR of 23.7% over the three fiscal years ended Fiscal Year End 2016. Our revenue from Lifestyle products is now larger than our revenue from the Denim Bottoms category, accounting for 56% of our directly operated mono-brand store revenue in Turkey in Fiscal Year 2016. In that year, sales of men's products represented 62% of our total revenue generated in directly operated mono-brand stores revenue in Turkey, while sales of women's products represented 38%.

Outstanding Retail Execution with a Strong Direct-to-Consumer Platform in Turkey

We have established a strong retail track record since our decision in 2008 to make the expansion of our Turkish retail business a core element of our strategy. As at Fiscal Year End 2016, we had 261 directly operated mono-brand stores in Turkey. In the three fiscal years ended Fiscal Year End 2016, we opened an average of 26 new stores per year and an average of 27 new stores per year in the last six fiscal years. We had more than 55 million store visits in Fiscal Year 2016.

Our retail stores have generated robust economic results. Adjusted LFL revenue growth at our retail stores in Turkey had an average of 16.3% and our revenue at our retail stores in Turkey has grown at a CAGR of 24.7% between Fiscal Year 2014 and Fiscal Year 2016. Our target in our investments in new stores is to recoup the investment in less than three years. In Fiscal Year 2016, 94% of our directly operated mono-brand stores in Turkey that were active for more than twelve months made a positive contribution, with an average store contribution of 25.3%.

To complement our bricks-and-mortar stores, we have developed the www.mavi.com e-commerce website. On average nine million users visited our e-commerce website during each season during Fiscal Year 2016. Although e-commerce currently accounts for 1.4% of our Turkish revenue, the channel is growing rapidly, with revenue from e-commerce increasing at a CAGR of 27.3% over the period from Fiscal Year End 2014 to Fiscal Year End 2016.

Flexible Supply Chain and Strategic Position at Hub of Supplier Ecosystem

We have established our supply chain to achieve short times-to-market, helping us to maximize our sell-through rate. Our ability to read customer demand, supported by our loyalty program, enables us to adapt and replenish inventories on an ongoing basis. The incidence of inventory from previous seasons within the total inventory decreased to 20.5% as at Fiscal Year End 2016 from 21.9% as at Fiscal Year End 2015 (excluding Russia and Canada), thanks to improving sell-through at 85% in spring-summer and 89% in fall-winter 2016 in directly operated mono-brand stores in Turkey; and effective markdown management. Our flexible supply chain allows us to achieve lead times of 6-8 weeks from time of order.

We have established strategic relationships with major denim suppliers in Turkey. Turkey is recognized in the apparel industry as a source of high-quality denims and other textiles. Our suppliers also provide materials to leading international jeans and fashion brands. Through our close and long term relationships with denim producers, we have been able to co-develop exclusive denim fabric for our products. We believe that our Perfect Fit strategy creates efficiencies in our sales, enabling us to generate a large proportion of our revenue from Denim Bottoms sales with a core group of fits. The following table shows the percentage of our total Denim Bottoms revenue in Fiscal Year 2016 (excluding Russia) that we generated through sales of a core group of 17 women's fits and eight men's fits.

	17 Women's Fits[(3)]	**8 Men's Fits[(4)]**
	Percentage of Total Denim Bottoms Revenues *(%)*	
Turkey[(1)]	94	95
United States	81	82
Canada	86	89
Europe[(2)]	76	97

1) Consist only retail sales made through directly operated mono-brands stores

2) Our Europe geographical segment reflects wholesale and retail sales through our Mavi Europe as well as wholesale sales by Mavi Netherlands.
3) Alissa, Ada, Adriana, Tess, Serenity/Serena, Maria, Cindy, Molly, Sophie, Alexa, Olivia, Lexy, Amber, Lacy, Lindy, Emma, Kendra
4) Jake, Marcus/Manuel, Martin/Zack, James, Hunter, Pierre, Matt, Yves

We source 80% (consolidated) of our products from our suppliers located in Turkey, including 92% of our denim products. We believe that our location near most of our suppliers, including leading producers of quality denims and other textiles, creates advantages in terms of quality control, margins and time-to-market.

Reliable Business Partners and Strong Relationships with Counterparties

Our key suppliers enable us to achieve sustainable product quality, better margins and pricing power. We have also good relationships with our wholesale distributors and franchisees both in and outside Turkey which have enabled us to penetrate international markets.

We also have strong relationships with the lessors of our shopping mall and high street retail stores. We believe that, as a result of our continuing growth and solid financial performance, our lessors regard us as a stable, low-risk and reliable tenant. This supports our store network expansion.

Growing GDP, Jeans Market and Young Population

The Turkish economy sustained average real GDP growth of 5.7% between 2001 and 2016, increasing from TL 688 billion to TL 1,572 billion. The Turkish economy grew at a rate of 4.2% in 2013, 2.9% in 2014, 4.0% in 2015 and 2.9% in 2016. In line with GDP growth, GDP per capita reached $10,807 for 2016, up from $3,084 for the year ended 2001 (Source: Turkstat). The Economist Intelligence Unit forecasts that the annual real GDP growth will be 2.4% in 2017, 2.6% in 2018, and 3.3% in 2019 (Source: EIU Country Report March 2017).

Furthermore, according to Turkstat, Turkey has a young population with a median age of approximately 30 years in 2016. Turkey has a population of 79.8 million with males constituting 50.2% and females 49.8% and 32.5% of the population is in the 15–34 year age group. Considering our loyal customer base whose core segment consists of young, fashion-conscious men and women under the age of 34, Turkey's young population is helping us to achieve double digit revenues growth rates.

According to Euromonitor, in Turkey, jeans are among the fastest growing apparel categories, with spending on Denim Bottoms growing at a CAGR of 12% between 2011 and 2016. Despite this growth, the Turkish jeans market remains relatively underpenetrated compared to other markets, with jeans spend per capita of €10 compared to €49 per capita in the United States and €45 per capita in the United Kingdom (in nominal terms). According to Euromonitor, we expect jeans to maintain its growth with a CAGR of 11% between the years 2016-2019. We believe there is ample room to continue to grow our sales through to at least 2020.

Solid Financial Performance

Our efficient working capital management has enabled us to achieve strong cash conversion. During the Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016, we maintained and improved our margins despite significant negative developments in currency exchange rates and raw materials costs. The following table shows our cash conversion rate in Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016, respectively:

	Fiscal Year		
	2014	2015	2016
	(thousand TL, except for cash conversion rate)		
EBITDA	**103.2**	**131**	**176.9**[1]
Change in working capital	20.9	(7.9)	(24.3)
Employee benefits paid	(2.7)	(2.5)	(3.2)
Adjusted change in working capital	**18.2**	**(10.4)**	**(27.5)**[2]
Adjusted operating cash flow	**121.4**	**120.6**	**149.4**
Cash conversion rate	**118%**	**92%**	**84%**

1) Proforma EBITDA.
2) Change in working capital non-proforma as reported for Fiscal Year 2016.

We have continuously expanded our network of retail stores. Growth in sales and profitability has been strong and steady. In the three fiscal years ended Fiscal Year End 2016, our consolidated revenue grew by a CAGR of 20.9% and our consolidated net profit grew by a CAGR of 65.6% while our consolidated EBITDA grew over the same period at a CAGR of 28.4%. Adjusted LFL revenue growth at our retail stores in Turkey had an average of 16.3% and our revenue at our retail stores in Turkey has grown at a CAGR of 24.7% between Fiscal Year 2014 and Fiscal Year 2016. Adjusted LFL revenue grew 14.1% in Fiscal Year 2016; whereas on an unadjusted basis, LFL revenue grew 10.8% over the same period. We believe that our solid financial performance helps us increase our profitability by enabling us to make planned investments and reducing our need for external financing.

Experienced Management Team

We are led by a strong management team with substantial industry experience and market insight.

We believe that our management team, including Mr. Ahmet Cüneyt Yavuz, Chief Executive Officer; Ms. Tuba Toprakçı Yılmaz, Chief Financial Officer; Ms. Fatma Elif Akarlılar, Global Brand Director and Mr. Savan Tüysüz, Turkey Country Director, are well qualified with significant industry experience and have contributed significantly to the growth in our operations. The experience and relationships of our management team have enabled us to extend our operating capabilities, improve the quality of our products and improve our brand equity.

In addition, other members of our senior management have also substantial relevant experience in their respective fields.

Clear Opportunities for International Growth

We sold 1.6 million denim items outside of Turkey (excluding Russia and Australia) in Fiscal Year 2016.

Outside of Turkey, we are currently present in 34 countries worldwide with a network of 61 mono-brand stores and approximately 4,650 multi-brand points of sale. In particular, we have established four major international areas of operation: the United States and Canada, through our recent acquisition of Mavi USA and Mavi Canada in August 2016; Europe, through our German hub; and Russia. Positioned at the upper end of the core jeans market, we are also able to offer premium products. Our strong brand image and high quality drive pricing power in our international markets.

Our Strategy

The following are key elements of our strategy to build on our established strengths and achieve our plans for growth.

Strong organic expansion in Turkey

We have established a strong track record of organic growth, with average Adjusted LFL retail revenue growth of 16.3% and our revenue at our retail stores in Turkey has grown at a CAGR of 24.7% between Fiscal Year 2014 and Fiscal Year 2016. We aim to drive this trend forward, as LFL revenue growth has historically been one of the two major drivers of our growth.

To achieve continuing growth in LFL revenue, we plan to

- *Drive traffic growth by enriching the customer experience*. The Turkish population is growing, and we expect the under 35 year old demographic that forms our core customer group to increase. Our goal is to transform that increase into store traffic. To do so, we aim to capitalize on our brand positioning, identify regional trends and preferences, and tailor our product offering for each specific region.
- *Accelerate category growth to drive higher conversion rates*. To increase our conversion rate, we aim to offer the right product at the right time. In particular, we intend to invest in our products for women. Our plans for lifting conversion include expanding the sales areas of our stores, implementing in-season stock management, optimizing product buying through improved store clustering and training our personnel to turn store visits into sales.
- *Further strengthen our pricing power*. Our goal is to increase our pricing power in order to win greater consumer share of wallet. We aim to do so through strategic shifts in our category mix. Although we have evolved from a jeans brand to a casual lifestyle retail fashion business, we believe that the Denim Bottoms category remains a sustainable driver for growth through increased focus on the premium end of our range. We expect further opportunities to increase price ranges and share of wallet in selected areas within our lifestyle range.

- *Increase our UPT rate.* Units per transaction, or UPT, measures the average number of items that customers purchase in a given transaction. Our goal is to continue our historical trend of increasing UPT. In particular, by driving growth in UPT, we aim to close the gender gap in some of our product categories, such as denim, t-shirts and accessories, where our sales to men are stronger, and jerseys, where our sales to women are stronger.

Increase floorspace in Turkey, both via new directly operated mono-brand stores opening and directly operated mono-brand store expansion

In addition to LFL revenue growth, new and expended stores have been the major driver of revenue growth. We expect that this will continue to be the case. Consequently, plans to continue opening new stores and expanding existing stores are a key element of our strategy.

According to Euromonitor, per capita selling space in Turkey in 2016, as measured by sqm per thousand people, is still lower than in other Western European countries, including Austria, Belgium, Germany, Italy, and the Netherlands, suggesting further space for growth.

In addition to opening new stores, we have grown by expanding floorspace at selected existing stores. We intend to continue doing so, though at a higher rate than in the past. In Fiscal Year 2016, we have increased our floorspace in current stores by 4,500 sqm in total. We have designated certain stores as targets for expansion during this period. In addition to these, our management has identified additional stores as further potential candidates for expansion.

E-commerce growth

Our e-commerce platform, mavi.com, is relatively new, having been established in 2013. Although in absolute terms e-commerce accounted for only 1.7% of our total revenue in Fiscal Year 2016, e-commerce revenue has grown significantly in the limited time that it has contributed to our results of operations. We believe that e-commerce operations will continue to grow strongly with continuous monitoring of e-commerce trends and successful development of the e-commerce platforms. Our loyalty card mobile application reached approximately 730,000 downloads by Fiscal Year End 2016.

With a young, digitally engaged consumer base, high internet and mobile penetration, and widespread credit card availability, Turkey has a promising environment for e-commerce growth. We also believe that e-commerce offers a springboard into additional markets.

International expansion

Until 2010, our operations were limited to Turkey and its neighboring countries. We began our European business in February 2010 and established Mavi Russia in 2011. We continued our global growth by acquiring 51% of the share capital and voting rights of Eflatun, which holds the entire share capital of Mavi USA and 75% of the share capital Mavi Canada as well as the global brand rights for the rest of the world. Since September 2016 we have consolidated all of our subsidiaries, including Mavi USA and Mavi Canada. We plan to continue building our presence in our core established international markets of the United States, Canada, Europe (through our German hub) and Russia.

We have tailored our international growth strategy for each of our major non-Turkish markets:

- *United States.* We have built our strategy for U.S. growth around wholesale expansion, supported by growth in e-commerce. Our wholesale channels in the United States include traditional retailers such as Bloomingdale’s and Nordstrom as well as online sellers such as Amazon and Zappos.com. Our goal is to increase penetration of our existing U.S. wholesale partners and to add new partners. We continue to operate our flagship mono-brand store in New York, but do not currently plan to open additional stores. A particular focus of our U.S. strategy is to strengthen distribution of 34 Heritage, our high-end line of specialty men’s Denim Bottoms.
- *Canada.* The focus of our Canadian strategy is based on retail expansion through directly operated stores. In October 2016, we opened an additional store in Vancouver bringing the total number of directly operated mono-brand stores to four in Canada. We plan to open additional Canadian stores in Vancouver and other major cities in Canada. Over time, our focus will be first on key cities in order to further strengthen the Mavi brand, and then expansion into attractive surrounding neighborhoods. We

also plan to continue expanding our wholesale presence, which in Canada is represented primarily by multi-brand boutiques such as Simons and Mark's. As in the United States, building up our e-commerce presence and strengthening distribution of 34 Heritage brand are also part of our Canadian strategy.

- *Europe*. In Western Europe we have a multi-channel strategy encompassing wholesale and e-commerce. In wholesale, we intend to focus on key bricks-and-mortar accounts, upgrading customers' shop-in-shop experience, while increasing business with online retailers like Amazon and Zalando.com. We seek to expand penetration and product offering in men's denim, to expand our denim offering to women into additional demographics such as more mature women and to increase sale of women's tops. We also intend to focus on our German e-commerce platform, aiming to extend its strong record of rapid growth.
- *Russia*. In recent years we have been gradually shifting our focus in the Russian market from wholesale to the retail channel. We plan to continue this trend over the next three to four years. We currently operate eight directly operated mono-brand stores in Russia and our strategic plans call for 30 net new store additions by fiscal year ending January 31, 2020. We expect to open these stores primarily in shopping malls in the Moscow and St. Petersburg regions, aiming for a store format of approximately 250-300 sqm. Within the retail network we intend to focus on expanding our Lifestyle category of products, aiming to achieve approximately the same 56% Lifestyle / 44% Denim Bottoms sales mix that we have achieved in directly operated mono-brand stores in Turkey.

In the rest of the world, we expect to continue expanding through our wholesale channels and franchises. In addition, over the medium term, we may establish a retail presence in new markets on a selective basis.

We also expect to continue developing our e-commerce capabilities internationally. Although still a small portion of total revenue, online sales through our own e-commerce channel and through key online retailers is the fastest growing channel in our international business.

In terms of operating margins, our management targets an EBITDA Margin of approximately 15% over the medium term (three to five years), assuming normal macroeconomic and market conditions.

History

Mavi began operations in 1991 as a family-owned business. Our experience in the fashion industry, however, goes back more than 40 years. We trace our roots to the apparel and garment manufacturing business that our founder, Sait Akarlılar, established in 1971.

As at the date of this offering circular, we have two beneficial shareholders, which together indirectly hold 100% of our share capital prior to the Offering. The Akarlılar Family indirectly holds 46% of our issued share capital and Turkish Private Equity Fund II indirectly holds 54% of our issued share capital.

In 1991 we established Mavi to design, develop and sell denim products for both men and women under our own brand. From our first day in business we were committed to providing the highest quality and Perfect Fit products to our customers. Our previous experience manufacturing denim for global brands in the international markets has given us significant know-how. We believe that this experience and know-how enable us to create attractive, high-quality products.

The core of our approach is the "Perfect Fit" concept. We aim to know our customers and their needs so that we can design a brand and clothing that satisfies their quality expectations and perfectly fits their bodies and their lifestyles, while offering a high value for the price. With this approach we expect to provide high quality products for an attractive price through assessing customers' expectations and needs in different markets. In 1993, we launched our retail operations with our first mono-brand retail store in a leading Istanbul shopping mall.

In the mid-1990s, we aimed to expand the brand into new markets and began our international journey by starting operations in United States. We positioned our brand in the sub-premium segment with the Mediterranean line, high quality, Perfect Fit and special fabrics used in our productions. We began selling our jeans through Bloomingdale's and Nordstrom, both upscale department store chains in the United States.

The German-based Mavi Europe was founded in 1996. Mavi Jeans Australia Pty Ltd., operated by a licensee, was established in 2000.

In 1997 we undertook a major strategic decision initiating a long-term program to use advertising to grow both our image and our sales. We began with the "We are too much" campaign series, and since 2009, have launched a new advertising campaign each season.

In 1998, we began collaborating with the renowned designer Adriano Goldschmied and introduced the "Perfect Fit" concept to the North American market with our "Molly" jeans fit.

In early 2000s, we opened flagship retail stores in Vancouver, New York City, Berlin and Frankfurt.

In the same period, we also increased our retail stores in Turkey, deepened our customer oriented focus and by the end of 2007 launched our CRM program. Our strategy and aim to be "the best brand that understands its customer" is supported by this program.

In 2008, Turkish Private Equity Fund II invested in Mavi. Following the investment, we introduced a new component to our growth strategy by transitioning our brand from "Mavi Jeans" to "Mavi". Although we retain our strong denim roots, we have evolved into an international lifestyle apparel and accessories brand focused on denim.

Since 2010, we have introduced Mavi Amerika, Mavi Gold and Mavi Black series into our collection, enhanced our premium product scale and worked with some of the most admired celebrities in Turkey including Kıvanç Tatlıtuğ, Serenay Sarıkaya, Kerem Bursin and İlker Kaleli, to enhance the positioning of our brand in every season. Globally, we have worked with Adriana Lima, Francisco Lachowski, Barbara Palvin, Elsa Hosk, Lucky Blue Smith and Sara Sampaio.

In 2011 we continued our international expansion by establishing a subsidiary in Russia, an additional country that we believe offers high growth potential.

In 2013, we launched our e-commerce operations with our online shopping website, mavi.com. We launched our German e-commerce site, managed by our subsidiary Mavi Europe, the same year. Mavi USA and Mavi Canada launched their e-commerce sites in 2014 and 2016 respectively. Although e-commerce is currently a minor source of our revenue, representing 1.7% of our consolidated revenue in Fiscal Year 2016, we believe there is strong potential for the growth of e-commerce as a sales channel in Turkey and abroad.

In 2010 we acquired the company that became Mavi Europe and in August 12, 2016, we acquired 51% of Eflatun from Fatma Elif Akarlılar, Seyhan Akarlılar and Ragıp Ersin Akarlılar. Eflatun holds 100% of Mavi USA and 75% of Mavi Canada. As a result of this acquisition, Mavi USA and Mavi Canada have become our fully consolidated subsidiaries starting from September 1, 2016. See "*—Corporate Structure*".

As at Fiscal Year End 2016, we operated 261 directly operated mono-brand stores in Turkey and our franchisees operated a further 70. As of that date, we had approximately 4,650 multi-brand points of sale outside Turkey, 39 franchisee mono-brand stores and 22 directly operated mono-brand stores in Germany, Russia, the United States and Canada.

Our Products

We design, develop and sell Denim Bottoms as well as lifestyle apparel for men and women such as t-shirts, shirts, jackets, sweaters, non-denim bottoms, skirts and dresses, accessories and shoes. Our category and product planning team, which as of Fiscal Year End 2016 had 39 employees, is dedicated and focused on planning the product categories in accordance with geography and customer preferences.

Our guiding principle is the Perfect Fit. To achieve the Perfect Fit we begin by knowing and understanding our customers and their needs. We aim to anticipate and respond to fashion trends and customer needs to bring top-quality products to market faster than our competitors can.

We design and develop clothing of superior quality for a wide variety of customers in a variety of styles and silhouettes for different body types and different looks. Our goal is to develop clothing that is appropriate for customers' lifestyles, offering our customers high value for the price.

The table below shows the amount and percentage of revenue at our directly operated mono-brand stores in Turkey for sub-categories (excluding children's products):

	Fiscal Year						
	2014	2015	2016	2014	2015	2016	2014 – 2016
	Revenue (thousand TL)			*Revenue[2] (%)*			*CAGR (%)*
Denim bottoms	**234,289**	**306,137**	**374,028**	**42.8**	**43.9**	**43.9**	**26.4**
Lifestyle Products							
T-shirts	90,509	122,807	143,965	16.6	17.6	16.9	26.1
Shirts	83,840	95,181	111,122	15.3	13.6	13.0	15.1
Jackets	37,637	52,164	77,813	6.9	7.5	9.1	43.8
Accessories[1]	31,806	44,532	55,684	5.8	6.4	6.5	32.3
Sweaters	29,417	36,361	44,234	5.4	5.2	5.2	22.6
Lifestyle bottoms	32,507	34,005	36,900	5.9	4.9	4.3	6.5
Skirt and dress	6,852	6,537	8,827	1.3	0.9	1.0	13.5
Lifestyle Products total	**312,567**	**391,587**	**478,545**				
Total	**546,856**	**697,724**	**852,573**				

1) Includes shoes.
2) Revenue as a percentage of Turkish retail revenue.

The table below shows the percentage of revenue by geographic market represented by key product categories and sub-categories (excluding children's products) for Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016:

	Revenue (%)									
	Fiscal Year	**Jeans**	**T-shirt**	**Shirt**	**Jacket**	**Accessories[2]**	**Jersey / Sweaters**	**Lifestyle trousers**	**Skirt / Dress**	**Total**
Turkey	2016	43.9	17.0	12.8	9.7	5.8	5.3	4.6	0.9	100.0
	2015	43.3	17.7	13.4	8.4	5.6	5.2	5.4	0.9	100.0
	2014	42.0	16.6	15.3	7.5	5.3	5.6	6.6	1.2	100.0
Germany	2016	78.8	6.3	5.7	2.3	0.4	3.8	1.8	0.7	100.0
	2015	83.6	4.2	4.6	1.2	0.5	2.9	2.1	0.9	100.0
	2014	83.2	5.2	4.0	1.5	0.6	2.5	1.2	1.8	100.0
Canada[1]	2016	84.1	2.1	2.1	5.0	1.1	2.1	2.6	1.0	100.0
	2015	—	—	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	—	—	—
United States[1]	2016	93.9	0.8	0.7	1.9	0.0	0.4	2.2	0.2	100.0
	2015	—	—	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	—	—	—
Russia	2016	61.3	10.8	7.7	8.7	2.1	5.1	2.9	1.3	100.0
	2015	56.3	10.0	9.0	10.7	2.8	5.3	3.8	2.0	100.0
	2014	56.7	10.2	8.3	9.8	2.5	6.7	3.2	2.6	100.0
Other Countries	2016	43.7	17.8	12.1	9.5	4.6	5.0	5.8	1.5	100.0
	2015	33.6	19.3	15.2	12.0	5.3	4.9	7.6	2.1	100.0
	2014	37.6	17.8	14.6	9.5	4.3	6.1	8.2	2.0	100.0
Consolidated (Excluding Turkish retail)[3]	2016	58,3	12.6	9.1	8.1	2.3	4.6	4.2	0.7	100.0
	2015	54.0	13.6	10.4	8.5	2.5	4.5	5.6	0.9	100.0
	2014	53.9	12.8	11.3	6.9	2.7	5.1	5.8	1.5	100.0
Consolidated	2016	48.8	15.4	11.7	8.8	5.1	5.0	4.3	0.9	100.0
	2015	47.2	16.3	12.6	7.8	5.1	5.0	5.1	0.9	100.0
	2014	47.1	15.1	13.8	6.9	4.6	5.3	5.9	1.4	100.0

1) Data relating to revenue in the United States and Canada for Fiscal Year 2014 and Fiscal Year 2015 are not included as Mavi USA and Mavi Canada became consolidated subsidiaries only in Fiscal Year 2016.
2) Includes shoes.
3) Includes our retail sales outside Turkey and wholesale and e-commerce sales. Product category breakdown for each of those channels is not presented as they are relatively negligible compared to Turkish retail sales.

Denim Bottoms

Our Denim Bottoms product category comprises our jeans offerings such as trousers, pants, shorts and jeans manufactured from denim fabric. By offering ongoing jeans models – that is, the same basic fit, but with different details, washes and finishes – through multiple seasons, we reduce the fashion risk associated with our jeans. We offer 14 different Denim Bottom fits for men and 35 fits for women. Stock-keeping-unit means a product unit as defined by a number of characteristics such as color, cut, model name etc., but excluding size, that is tracked as an individual product category under our inventory recording system ("**SKU**"). As at the date of this offering circular, we have approximately 95 SKUs, for men and approximately 120 SKUs for women. We generated 43%, 43% and 44% of our revenue from our Denim Bottoms products in Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016, respectively.

Jeans vary primarily in three characteristics—fit, fabric and finish:

- Fit refers to the pattern in which the cloth is cut to be sewn into a pair of jeans. Different cuts can create dramatically different silhouettes, for example, low-waisted, straight-leg, baggy and skinny. We classify our various fits of jeans using male and female names. Each name denotes a specific fit.
- Denim fabric comes in varying weights, finishes and colors. Basic denim is a dyed cotton twill. Some variations of denim add a small amount of elastic fiber to the mix to create stretch denim. Particularly since 2012-2013, denim fabric has been undergoing a phase of great innovation, including new fabric technology and previously unknown combinations of yarns.
- After the fabric is cut and sewn, jeans can be sold as "rinse" – that is, given no further treatment – or can be subjected to a variety of washes. The wash gives the jeans their precise color, texture and finish. Washes can create a wide variety of subtle effects in the finished jeans.

We launched our premium lines Mavi Amerika in 2006, Mavi Gold in 2013 and Mavi Black in 2015. Mavi Gold accounted for 41% of all women's denim bottom sales in Fiscal Year 2016. In addition, Mavi Amerika and Mavi Black also accounted for 47% and 16% of all men's denim bottom sales in Fiscal Year 2016, respectively. Each year, we add a new capsule collection within each of our premium lines with the goal of exploiting and reinforcing our pricing power, market power and brand image. Mavi USA also launched our 34 Heritage line in the U.S. and Canadian markets in 2010. We may introduce it to other markets where we operate in the future.

Lifestyle products

We categorize all of our product categories except for Denim Bottoms as Lifestyle Products. Our key Lifestyle sub-categories are T-shirts, shirts, jackets, accessories and shoes, sweaters, non-denim bottoms, and skirts and dresses. Lifestyle Products accounted for 56% of our sales in directly operated mono-brand stores in Turkey in Fiscal Year 2016. We offer a comprehensive Lifestyle portfolio for both men and women. Our styles accommodate different customers' preferences, age brackets and occasions of use. We have diversified our Lifestyle portfolio into a complete product offering and believe that the Lifestyle category offers significant opportunity for growth.

In Fiscal Year 2016, sales of t-shirts, shirts, jackets and accessories (including shoes) represented 16.8%, 13.0%, 9.1% and 6.5%, respectively, of our net revenue from our directly operated mono-brand stores in Turkey. The revenue CAGRs for the last three fiscal years of these four lifestyle products are 26.1%, 15.1%, 43.8% and 32.3%, respectively.

Our Operations

With the exception of sales and logistics functions in our markets abroad, our operations are mainly in Turkey. Management is centered in our head office in Istanbul, which is also where we carry out all our design work.

Design and Development

Every year, we offer four main collections (Spring, Summer, Fall and Winter) including a mix of all our categories and fits. We release new product drops on a monthly basis, reflecting the latest market trends and customer feedback, resulting in new products in our stores every seven to ten days.

Our design team of fashion and product professionals identify key trends from catwalks, blogs, social media and street fashion. The team, which as of Fiscal Year End 2016 had 57 employees, develops designs based on the latest market trends and innovations as customer-focused products which reflect the "Mavi" brand and its market. We focus on innovation and intense research and development to anticipate trends and stay ahead of our competitors. We collaborate with internationally famous designers and consultants who contribute to the creation of new collections. These designers have included Adriano Goldschmied, Rıfat Özbek, and Hussein Chalayan.

Our design and development process consists of five steps from idea to production:

- trend prediction and line plan;
- design development;
- sourcing and proto-development;
- design development review; and
- final selection.

Sourcing and Manufacturing

Because we are active in the fast-fashion segment of the apparel market, we require a flexible, rapidly-responding supply chain. We have established a large sourcing base with both local and international alternatives. Although we demand value from our suppliers and manufacturers, our priority is quality and speed of delivery.

The development cycle for products supplied from Turkey, which typically represent 80% of our total products, tends to be two months for denim bottoms, jerseys, sweaters and woven tops and five months for other categories. For products supplied from Bangladesh and China, which represented 14% of our sourcing, the cycle tends to be ten months.

Although it is a modern industrial process, the manufacture of jeans still requires a significant component of handicraft and artisanal know-how. We work closely with our manufacturers during the process, and believe that our own decades of experience as a jeans seller give us a strong competitive advantage.

Our most heavily domestically-sourced products are denim, shirts, t-shirts and jerseys, as Turkey is a globally reputable sourcing location for denim fabric and knitted products. We import a higher percentage of woven products, and in particular jackets and other outerwear, since the Far East is the main global sourcing location for many woven products. The following table shows a breakdown of consolidated sourcing from Turkey based on costs in Fiscal Year 2016:

	Fiscal Year		
	2014	2015	2016
		(%)	
Product			
T-shirts	100	100	97
Jersey/Sweaters	81	79	96
Denim Bottoms	99	99	92
Skirts / Dresses	97	89	88
Non-Denim Bottoms	55	69	72
Shirts	44	55	69
Accessories[1]	52	45	52
Jackets	5	5	8

1) Includes shoes.

We do not manufacture our products in-house. Instead, we use a network of manufacturers, the large majority of which are located in Turkey. Where possible, we try to use Turkish sources for the majority of products we use in order to achieve shorter lead-times and optimize our ability to exercise quality control.

Given our historical expertise and know-how, we take an active role in the procurement of the raw denim material that our manufacturers use to produce our denim bottoms products. Manufacturers of our Lifestyle products source the raw materials to our specifications.

Suppliers of Denim Fabric

In Fiscal Year 2016 we worked with 135 suppliers, of which 44 are international suppliers. We have strategic and well-established relationships and partnerships with the top denim suppliers in Turkey and we work closely with denim fabric manufacturers to design and develop new fabrics for our products in collaboration with them. In selecting raw materials for our denim products, we provide our manufacturers with our specifications and actively take part in the procurement of denim fabric. This enables us to co-develop exclusive denim fabric. Our in-house quality control team regularly monitors and controls the raw materials and finished products.

Erak, our most significant denim fabric supplier and manufacturer of Denim Bottoms products, supplied 81% of our denim products in Fiscal Year 2016. See "*—Material Agreements—Erak Manufacturing Agreement*," "*Related Party Transactions—Product Purchases from Erak and Akay*" and "*Risk Factors—Risks Related to Our Industry and Business—We rely to a significant extent on our specific suppliers. An interruption or cessation of their services could harm our operations*."

Quality control and workplace health and safety

We monitor our manufacturers for quality and workplace health and safety. We also monitor their compliance with our human-health and environmental standards. Under our standard form manufacturer agreement, we require our manufacturers to sign the Restricted Chemicals Declaration and Ecological Commitment, undertaking to provide goods in compliance with the REACH chemicals regulation no. EC 1907/2006. This is to ensure that the Mavi products manufactured for us comply with regulations applicable in Turkey and with European Union standards on the use of restricted chemical substances. We generally seek out suppliers who have BSCI (Business Social Compliance Initiative) or Sedex (Supplier Ethical Data Exchange) certifications.

Our sourcing team, which as of Fiscal Year End 2016 had 68 employees, works closely with our merchandising team to maximize profitability and product range and that the raw materials and finished products comply with Mavi product specifications. We do not conduct our own inspection of suppliers outside of Turkey. For quality control, in some cases we work with third parties that conduct quality control reviews.

Pricing

In certain cases, we choose the suppliers from which our contracted manufacturers will procure raw materials and negotiate with those suppliers the price at which our manufacturers will buy them. By doing so, our manufacturers benefit from our purchasing power which enables them to lower the total cost of manufacturing.

Manufacturers generally charge an industry standard mark-up on the total cost of manufacturing. The mark-up amount may vary due to the sophistication of the production process. Our sourcing costs are transparent and we can calculate and closely monitor the amount and cost of raw materials.

Supply Chain and Logistics

Our global supply chain team organizes the export and international transportation, storage and distribution of all Mavi products. Third-party contractors carry out all of our transportation, storage and distribution operations. Transport time is typically one to three days for the domestic market. Typical transport times to our key markets outside Turkey vary from one week to the United States and Canada through air freight to two weeks to Germany, the Netherlands and Russia through land freight.

Mavi's main logistics center, which handles all shipments to our stores in Turkey, is located in Çayırova, Kocaeli, Turkey, and is owned and managed by Ekol Lojistik A.Ş. Ekol operates a storage zone of 25,000 sqm allocated to our needs, with a storage capacity of 120,000 boxes and an inbound capacity of 8,000 boxes a day. By using flow-through automation, Ekol operates three shifts that are able to deliver 4,000 boxes a day with simultaneous put-away. Its manual replenishment operation has an additional outbound capacity of 2,000 boxes.

With respect to new store openings in Turkey and Russia, we will not be under any warehouse capital expenditure as we outsource the logistic services in both countries. Further, our common strategy with outsourced logistics services is to work with a single warehouse in order to centralize services provided and enhance efficiency. On the other hand, we expect to meet our logistic needs in the short term in Canada, where we do not outsource the logistic services and plan to open new stores as part of our retailization strategy.

We have a contingency plan, which we update every six months, to replace Ekol with a comparable logistic and warehouse services provider or providers in order to evaluate the service provided by this provider and follow the market trends. The contingency plan provides six months to fully replace Ekol and function normally. Accordingly, the agreement executed with Ekol requires four months' prior notice (six months prior notice following the extended terms after December 1, 2017) for parties to terminate the agreement. We consistently analyze the service costs of Ekol and consult with other logistic and warehouse services providers, and get quotes from them in order to ensure that Ekol keeps prices at market levels.

As of the date of this offering circular, we use five regional warehouses in our major markets outside of Turkey:

Location	Warehouse Operator	Size (sqm)	Acceptance Capacity (box/day)
EU/Germany	Inhouse	4,000	300
Netherlands	Inhouse	1,000	100
Russia	Molcom	Flexible	Flexible
Canada	Inhouse	1,300	400
United States	Inhouse	2,100	800

Sales Channels

We sell our products through three sales channels:

- *Retail channel*. Our directly operated mono-brand stores, representing a significant majority of our revenue;
- *Wholesale channel*. Multi-brand points of sale such as department store chains and corner shops, mono-brand franchise stores, online retailers and corporate sales; and
- *e-Commerce*, that is, our own Mavi-brand online retail websites.

Our home market is Turkey, and Turkey remains the location of a significant portion of our business. According to Euromonitor, we have the largest market share in the Turkish jeans market with a 24% share and are the fifth largest apparel brand[4] in Turkey, with an approximately 2% market share by retail turnover in 2016, according to Euromonitor. The Euromonitor analysis of the apparel market excludes department stores. Market shares are calculated on the basis of the apparel market in Turkey, including men's outerwear, women's outerwear, children's wear, underwear / nightwear / swim, and apparel accessories and hosiery.

We currently operate in 35 different countries, with a network consisting of 392 mono-brand stores and approximately 5,500 points of sale. We operate in four strategic regions, namely the United States (following the acquisition of Mavi USA in August 2016); Canada (following the acquisition of Mavi Canada in August 2016); Europe (mainly Germany); and Russia. We are positioned on the upper segment of the jeans market and can provide sub-premium products to our customers. We also have pricing power in international markets, which we attribute to our strong brand image and the quality of our products.

The following table shows the number of directly operated and franchise mono-brand stores by geographic market in Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016:

	Fiscal Year 2014			Fiscal Year 2015			Fiscal Year 2016		
	Directly Operated Mono-brand Store	Franchise Mono-Brand Store	Total	Directly Operated Mono-brand Store	Franchise Mono-Brand Store	Total	Directly Operated Mono-brand Store	Franchise Mono-Brand Store	Total
Turkey	209	75	284	236	75	311	261	70	331
Europe	11	—	11	10	—	10	9	—	9
United States	—	—	—	—	—	—	1	—	1
Canada	—	—	—	—	—	—	4	—	4
Russia	6	26	32	8	25	33	8	19	27
Rest of World	—	17	17	—	16	16	—	20	20
Total	**226**	**118**	**344**	**254**	**116**	**370**	**283**	**109**	**392**

4 Excluding department stores.

The following table shows the amount of revenue generated through each of our sales channels by geographic market in Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016.

	Fiscal Year 2014				Fiscal Year 2015				Fiscal Year 2016			
	thousand TL											
	Retail	Wholesale	E-commerce	Total	Retail	Wholesale	E-commerce	Total	Retail	Wholesale	E-commerce	Total
Turkey	550,658	191,886	9,737	752,281	703,642	209,703	12,359	925,705	856,736	248,676	15,770	1,121,183
Europe	16,026	83,847	1,605	101,478	16,834	77,590	1,823	96,247	17,232	80,476	2,425	100,133
United States	—	—	—	—	—	—	—	—	2,878	31,883	2,816	37,577
Canada	—	—	—	—	—	—	—	—	2,608	13,827	838	17,273
Russia	6,389	19,859	—	26,249	8,917	10,483	—	19,401	11,015	8,728	—	19,742
Rest of World	139	14,925	—	15,064	—	11,455	—	11,455	—	12,025	—	12,025
Total	**573,212**	**310,517**	**11,341**	**895,071**	**729,394**	**309,231**	**14,182**	**1,052,807**	**890,469**	**395,615**	**21,849**	**1,307,934**

We operate an extensive network of Mavi mono-brand stores in Turkey, Russia and elsewhere. We also sell-through a variety of wholesale channels, which include franchise mono-brand stores in Turkey, Russia and elsewhere, as well as our e-commerce channel. In Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016 we generated 73.2%, 76.0% and 76.4% respectively of our revenue in Turkey through our directly operated mono-brand retail stores. Although we have developed networks of directly operated mono-brand stores in our key non-Turkish markets, the majority of our sales outside Turkey has historically been, and continues to be, through wholesale channels.

We have a high sell-through rate. Our increasing emphasis on effective markdown management and pursuit of higher sell-through rates enabled us to decrease the portion of total inventory represented by previous-seasons items. This portion (excluding Russia and Canada) decreased from 21.9% as at Fiscal Year End 2015 to 20.5% as at Fiscal Year End 2016. The following table shows the sell-through rate and markdown ratio in retail sales in Turkey for the 2014, 2015 and 2016 seasons.

	2014		2015		2016	
	Spring-Summer	Fall-Winter	Spring-Summer	Fall-Winter	Spring-Summer	Fall-Winter
Sell-through rate	84.7	83.9	85.1	87.3	84.7	89.0
Markdown ratio	18.3	18.9	18.2	20.4	18.8	19.2

The following table shows the amount and percentage of our pro forma revenue generated through each of our sales channels by geographic market in Fiscal Year 2016. We have presented these figures on a pro forma basis to show the effect of the acquisition of our North American subsidiaries; see "*Condensed Combined Pro Forma Financial Information—Acquisition of Mavi USA and Mavi Canada*".

	Retail		Wholesale		E-commerce		Total	
	thousand TL, except for pro forma adjustments	%	thousand TL, except for pro forma adjustments	%	thousand TL, except for pro forma adjustments	%	thousand TL, except for pro forma adjustments	%
Turkey	856,736	95.5	247,851	55.4	15,770	65.4	1,120,358	81.9
United States(1)	6,368	0.7	65,143	14.6	5,082	21.1	76,592	5.6
Canada(1)	5,959	0.7	32,815	7.3	838	3.5	39,612	2.9
Europe(2)	17,232	1.9	80,476	18.0	2,425	10.1	100,133	7.3
Russia	11,015	1.2	8,728	2.0	—	—	19,742	1.4
Rest of World	—	—	12,025	2.7	—	—	12,025	0.9
Pro forma adjustments (million TL)	0.0	0.0	(0.8)	0.0	0.0	0.0	(0.8)	0.0
Total	**897,311**		**447,037**		**24,115**		**1,368,463**	

(1) See "*Condensed Combined Pro Forma Financial Information—Acquisition of Mavi USA and Mavi Canada*".

(2) Our Europe geographical segment reflects wholesale and retail sales through our Mavi Europe as well as wholesale sales by Mavi Netherlands.

Turkey

Our Retail Stores

Mono-brand stores bear the Mavi name and sell only Mavi products. We operate most of our mono-brand strores in Turkey directly, with a smaller number operated by franchisees. We have directly operated mono-brand stores in 49 of Turkey's 81 cities. Our directly operated mono-brand stores are located in shopping malls and high-street shopping districts. In addition, a small number of shops are located in alternative spaces such as shopping areas in airports and marinas. Our retail channel consists solely of our directly operated mono-brand stores. (We account for our sales to franchise mono-brand stores as part of our wholesale channel; see "—*Wholesale Channels*".) In Fiscal Year 2016, our directly operated mono-brand stores in Turkey represented 76.4% of our total Turkish revenue**.**

As at Fiscal Year End 2016, we had 261 directly operated mono-brand stores in Turkey. Historically, a higher proportion of our Turkish stores were franchises. More recently the proportion of directly operated mono-brand stores has grown, and our strategic focus for the future emphasizes directly operated stores over franchises. During our three and six most recent fiscal years, we opened an average of 26 and 27 new stores per year, respectively. Historically, directly operated mono-brand stores have repaid our investment in less than three years on average. Over the near- to medium term, we aim to pace the roll-out of new stores in line with our historical average.

We plan to open 26 new directly operated mono-brand stores in Fiscal Year 2017. Of these 26 stores, we have opened ten through the date of this offering circular; we have signed lease agreements for six new stores that we intend to open in the first half of Fiscal Year 2017; and we are in the process of negotiating agreements or identifying suitable premises for the remaining ten.

Store Expansion

During Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016 we opened 27, 27 and 25 new directly operated mono-brand stores and our aggregate floorspace was approximately 80,000 sqm, 99,000 sqm and 117,000 sqm, respectively. Our new directly operated mono-brand stores opened in Fiscal Year 2015 and Fiscal Year 2016 with an aggregate floorspace of 37,000 sqm in total and an average area of over 500 sqm in each year. These new stores are the main reason for our increased aggregate floorspace. In the preceding four fiscal years, we consistently increased our like-for-like revenue per sqm in Turkey, while increasing our aggregate floorspace. In Fiscal Year 2013, Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016 our LFL revenue per sqm was TL 7,777, TL 8,109, TL 8,370 and TL 8,652, respectively.

As at Fiscal Year End 2016, revenue from 201 out of a total 261 stores was included in the LFL category. The following table shows the breakdown of these 201 stores in sales/sqm according to their age:

Age of Stores	Number of Stores	Sales (TL) / Sqm
1-3 Years	63	6,954
3-5 Years	54	8,444
5-7 Years	33	9,311
More than 7 years	51	12,692

Our stores have shown steady growth in both number and in average floorspace. As at January 31, 2012, we had 143 stores in Turkey with an aggregate floorspace of 47,000 sqm. By Fiscal Year End 2016, the number of stores had grown to 261 with an aggregate floorspace of 117,000 sqm. Our first retail store was 108 sqm, and Denim Bottoms accounted for a majority of the product offering. Today, the average floorspace of our directly operated mono-brand stores in Turkey is 447 sqm, an increase from 381 sqm and 418 sqm as at Fiscal Year End 2014 and Fiscal Year End 2015, respectively. Our CAGR on total floorspace over the three fiscal years was 21%. The average floorspace of our stores as at Fiscal Year End 2016 was 449 sqm in high-street shopping districts and 447 sqm in shopping malls. Larger stores enhance our ability to offer a broader range of products. Our goal is to open new stores with floorspace of up to 800 sqm with capital expenditure target of TL 1,250 per sqm in Turkey, Russian ruble 34,000 per sqm in Russia and C$1,615 per sqm in Canada.

Despite the rapid increase in the number and size of our stores in Turkey, we believe that we have substantial room to grow. We use a sophisticated enterprise management system to monitor sales and inventory at our stores. This system provides our management with highly granular and near real-time feedback. We are able to observe sales volume on a per-store and per-category basis. Our system also gives us insight into customer profiles, which can vary significantly from store to store. This high visibility enables us to act rapidly, moving inventory items from stores where they are selling slowly to stores where they are selling quickly, optimizing use of shelf and display space. We believe that our management system is crucial to achieving our goal of maximizing revenue per square meter of floorspace in our stores.

In addition to adding new stores, expansion of floorspace in existing stores is essential to our strategy. As at Fiscal Year End 2016, expansion of 4,500 sqm in 21 existing retail stores contributed 25% of the total increase in selling space during that year. During Fiscal Year 2017, we plan to expand 5,000 sqm in total, with six stores already expanded and ten more locations identified for expansion. Our strategy is to continue expanding at a higher rate than the past.

Our sales team uses four base key performance indicators, or KPIs, to evaluate the performance of the retail stores in Turkey:

- traffic;
- conversion rate;
- UPT; and
- ticket price.

The relevant management team meets every week to assess developments in these KPIs. Each department analyzes the key performance indicator sell-through, markdown ratio and like-for-like data of the previous week on Monday; all-hands meetings including department heads are held on Tuesdays; internal meetings of sales, marketing, procurement, category and product planning, supply chain, finance and information technologies departments are held and re-orders of suppliers and new products additions are concluded on Wednesday; and decisions and communication turned into actions across departments and in-store visual layouts on Thursday.

Wholesale Channels

Our wholesale channels constitute 22.2% of Turkish revenue and include multi-brand points of sale such as department store chains and individual shops, franchise mono-brand stores, online retailers and corporate sales. Although we operate directly operated mono-brand stores in Germany, Russia and North America, the majority of our revenue in those markets has historically been through wholesale channels. In the rest of the countries in which we sell our products, wholesale channels account for all our revenue.

As at Fiscal Year End 2016 we had 436 multi-brand points of sale; including 262 corner stores and 174 department stores, including consignee customers, in Turkey. These stores represented 48.9% of our Turkish wholesale revenue in Fiscal Year 2016. Most of the corner stores through which we sell are located in smaller provinces across Turkey. Although they represent a relatively small percentage of our revenue, these individual stores deliver above-average gross margins compared to our global wholesale channels as a whole.

As at Fiscal Year End 2016, we had 70 franchise mono-brand stores in Turkey. These franchise stores represented 47.3% of our total wholesale revenue in Fiscal Year 2016.

We have executed direct debiting/collection system agreements with various banks to facilitate the collection of receivables from franchisees and over 90% of corner stores. Under this system, we receive amounts to be collected from our franchisees and participating corner stores directly from the banks, subject to the applicable discount rate, either on or before the maturity of the receivables, up to the limits provided under each agreement for each franchisee or corner stores. Accordingly, 98% of our franchise and corner store receivables are covered by bank guarantees.

E-commerce

We established our Turkish e-commerce platform in 2013. Our e-commerce revenue in Turkey has grown at a CAGR of 27.3% between Fiscal Year End 2014 and Fiscal Year End 2016. E-Commerce is, at present, a minor source of revenue; in Fiscal Year 2016, it represented 1.4% of our total Turkish revenue. However, we believe that there is strong potential for the growth of e-commerce as a sales channel in Turkey. There is significant room for growth in both e-commerce and in internet use in general; in both areas, Turkey has not yet achieved penetration levels typical of the United States or Western Europe. In 2016, Turkey's e-commerce penetration rate was 3.4%, as compared with 17.1%, 10.5% and 7.3% in China, the United States and Europe, respectively. On the other hand, smartphone penetration is high in Turkey, exceeding Western European levels, and high social media engagement and credit card availability is expected to support growth in e-commerce as Turkish consumers have access to, and are willing to use, technology suitable for online sales. Furthermore, we have invested significantly in the Turkish market, because we believe that Turkey's existing e-commerce capabilities and young, digitally engaged customer base give this market a significant potential for upside. In 2017, we expanded our e-commerce capabilities by opening a marketplace on hepsiburada.com, the leading digital retailer in Turkey. We continue to focus on enhancing our capabilities in this channel.

The following table shows the number and average basket size of our e-commerce transactions in Turkey during the periods indicated:

Fiscal Year	e-Commerce transactions	Average basket size
	(number)	*(TL)*
2014	82,677	118
2015	94,823	130
2016	121,351	130

During Fiscal Year 2016, our e-commerce platform had an average of nine million visitors per season and a 10% e-commerce return rate. During the same period, the Denim Bottoms category represented 39% of the total sales generated through our Mavi.com e-commerce platform.

United States

During last five months of Fiscal Year 2016, Mavi USA generated 84.8% of its total revenue from wholesale sales, 7.7% of its total revenue from retail sales and 7.5% of its total revenue from e-commerce sales. Mavi USA has one directly operated mono-brand store and 1,303 multi-brand points of sale in United States. Mavi USA generated TL 37 million and TL 61 million revenue in Fiscal Year 2014 and Fiscal Year 2015, respectively; and TL 77 million revenue in Fiscal Year 2016; representing revenue growth at a CAGR of 44% over the three most recent fiscal years. For foreign exchange rates used in conversion from $ to TL, see "*Condensed Combined Pro Forma Financial Information—Unaudited Pro Forma Combined Key Performance Metrics—Mavi USA Conversion of Revenue from $ to TL by Channel*."

The department store chains that sell our products in the United States include Bloomingdale's, Nordstrom and Lord & Taylor. We also sell in the United States through online channels including Zappos.com and Stitch Fix. We began e-commerce operations in United States started in 2014 and grew 61% in Fiscal Year 2016, generating positive contribution in Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016.

Our U.S. expansion strategy is based on wholesale expansion (offline and online), supported by e-commerce growth. We aim both to increase penetration of existing partner stores and to add new wholesale partners along with increasing our women's categories in existing wholesale doors. Our goal for our e-commerce operations is expected to represent approximately 10% of total revenues of Mavi USA in Fiscal Year 2019.

We have furthermore developed, and are focused on strengthening distribution of, 34 Heritage, a high-end men's Denim Bottoms brand aimed primarily at the U.S. and Canadian markets.

Canada

During last five months of Fiscal Year 2016, Mavi Canada generated 15.1% of its total revenue from retail sales, 80.1% of its total revenue from wholesale sales and 4.8% of its total revenue from e-commerce sales. Mavi Canada generated TL 28 million and TL 35 million revenue in Fiscal Year 2014 and Fiscal Year 2015, respectively; and TL 40 million revenue in Fiscal Year 2016; representing annual CAGR of 20% on revenue over the three fiscal years. For foreign exchange rates used in conversion from C$ to TL, see "*Condensed Combined Pro Forma Financial Information—Unaudited Pro Forma Combined Key Performance Metrics—Mavi Canada Conversion of Revenue from $ to TL by Channel*."

We have four directly operated mono-brand stores in Canada, all of them in Vancouver, and have 1,548 multi-brand points of sale. In Fiscal Year 2016, we generated the substantial majority of our Canadian revenue through wholesale channels, reflecting the country's large size and the concentration of our stores in a single city. In Canada, our wholesale channels are primarily multi-brand, boutique-type stores. Canadian retail stores selling our products include Simons and Below the Belt. Our e-commerce operations in Canada started in 2016.

Our Canada growth strategy is based on retail expansion through directly operated stores. We plan to open two directly operated stores in Fiscal Year 2017. In the first stage, we aim to open stores in key Canadian cities around Vancouver to further strengthen the Mavi brand. In the second stage, we plan to increase our presence in this region, opening additional stores in attractive neighborhoods. As in the United States, our focus in Canada includes developing distribution of our 34 Heritage high-end brand of men's Denim Bottoms. In addition, Mavi Canada's e-commerce operations in Canada started in 2016 and generated 4.8% of Canada revenues in Fiscal Year 2016 thanks to a strong brand image. We expect that this growth will continue in the future and our goal is for e-commerce revenue to represent approximately 8% of total revenues of Mavi Canada in Fiscal Year 2019.

Europe

Our Europe region consists of our subsidiaries in Germany and the Netherlands.

In Fiscal Year 2016, we generated 80.4% of our revenue in Europe through wholesale channels, 17.2% through our directly operated mono-brand stores and the remaining 2.4% through e-commerce.

Germany

In Germany, our subsidiary Mavi Europe operates a network of nine directly operated mono-brand stores in major cities. Our German operations are our export hub for Western Europe excluding the Netherlands. Mavi Europe is also responsible for our network of wholesale showrooms covering Germany, Austria and the Czech Republic. We sell-through a variety of wholesale channels to leading department store chains, including P&C, Breuninger and Wöhrl. We also sell-through online wholesale channels such as Zalando.com. Our subsidiary Mavi Europe currently generates a portion of its revenue through our German e-commerce portal, and we expect that e-commerce will enable us to expand our sales to retail consumers in other markets independently of bricks-and-mortar shops.

Our growth strategy in Germany is based on expansion of wholesale sales supported by growth in e-commerce channel.

We aim to increase sales of men's products, including by selling them to wholesale customers to which we have historically sold only women's products, and to expand sales of Lifestyle Products. In addition, our goal is for e-commerce to represent approximately 5% of total revenues of Mavi Europe in Fiscal Year 2019.

Netherlands

Our subsidiary Mavi Netherlands engages in wholesale sales and is expected to be merged with Mavi Europe during the course of our fiscal year ending January 31, 2018.

Russia

We have a network of 27 mono-brand stores in Russia. Of this number, eight are operated by us and 19 by franchisees. Our directly operated mono-brand stores are mainly located in Moscow and St. Petersburg, and all were opened during the last three fiscal years. In Fiscal Year 2016, we generated 55.8% of our revenue in Russia through our directly operated mono-brand stores. Wholesale channels mainly consist of franchisees, specialty chains and corner stores.

Our Russia growth strategy is to apply our Turkey retail operational know-how and excellence in Russia at both the product and customer management level and open 30 new directly operated mono-brand stores in the next three years. We aim to open new stores around Moscow and St. Petersburg and further strengthen our brand image along with launching e-commerce operations in Russia.

We plan to open eight new stores in Fiscal Year 2017, of which one is already opened and two lease agreements are signed for stores to be opened in the first half of Fiscal Year 2017. The new stores will be predominantly located in shopping malls across Moscow and St Petersburg, with a selling area ranging between 250-300 sqm. We will aim to achieve the same approximate sales mix between Denim Bottoms and Lifestyle products that we have in Turkey.

Rest of World

We sell our products in 29 other countries around the world. Most of these markets are in European countries (excluding Germany and the Netherlands), countries neighboring Russia, and countries in the Middle East, but we also sell in Australia through a licensee. In Fiscal Year 2016, we generated our revenue outside the Turkish, North American, German, and Russian markets exclusively through wholesale channels. The number of franchise mono-brand stores in the rest of the world was 17, 16 and 20 as at Fiscal Year End 2014, Fiscal Year End 2015 and Fiscal Year End 2016, respectively.

Marketing and Advertising

Early in our history we made the strategic decision to invest significantly in advertising to promote both our products and our image. Since 2009, we have launched a new television campaign for every season. We run two advertising campaigns each year using a famous celebrity chosen to represent the nature of the collection and the target customer profile. These celebrities have included Adriana Lima, Barbara Palvin, Francisco Lachowski, Sara Sampaio, Kerem Bursin, İlker Kaleli, Serenay Sarıkaya and Kıvanç Tatlıtuğ. We believe that our television advertising campaigns, such as "We are too much", "We've gone too far" and "This is Istanbul", have contributed significantly to both sales and brand awareness, with many having achieved "cult" status in the Turkish market. Marketing Turkey and Media Cat selected our "We are too much" campaign as one of the best ten advertising campaigns in Turkish advertising history. We began a major new marketing campaign featuring actor Kıvanç Tatlıtuğ as the face of our brand.

Loyalty and Customer Relationship Management

We established our customer relationship management/loyalty program in Turkey in November, 2007. We have recently launched the program in Germany as well.

From 2012 through 2017, membership in the loyalty program grew from 2.4 million to 5.7 million members. In Fiscal Year 2014 and 2015, our loyalty program had 3.7 and 4.6 million members, respectively. In 2015, we launched our loyalty mobile application and by Fiscal Year End 2016, the application had been downloaded approximately 730,000 times. As at the date of this offering circular, the loyalty program includes 5.8 million members; 3.9 million of whom were active members. We acquired almost 1.1 million new loyalty program members in 2016.

Our loyalty platform provides us with valuable insights into customer demographics. We are able to break down sales to customers using our loyalty cards by indicators such as customer gender, age, frequency of visits, basket size etc. Card users also provide us with real-time data on customer demand.

We use our CRM program to execute targeted up-selling and cross-selling campaigns, while at the same time rewarding our most valuable customers. In Fiscal Year 2015, we launched more than 80 personal campaigns. Examples of these campaigns include:

- emails reminding members of the impending expiration of membership points to drive visits;
- campaigns to increase basket size in season;
- campaigns to increase frequency;
- campaigns to increase average basket size & UPT;
- cross sell and upsell campaigns;
- loyalty and retention campaigns;
- introductory offers to encourage online shopping.

Our relationship with our customers is crucial to our brand perception and success. We regularly monitor and track customer complaints and put great effort into ensuring customer satisfaction. We obtain customer feedback and complaints through stores, call centers, social media, website (e-commerce channel) and e-mails. We will introduce a new CRM program in 2018 to monitor customer feedback. Accordingly, once a store is opened, further feedback from CRM is continuously analyzed to adapt the store's product offering according to demographics and customer demands. We provide longer periods and more options for products returns than we are legally required to ensure customer satisfaction.

Social Media

Since we began operations, social media has grown exponentially in importance, particularly with younger consumers. As a result, we made social media one of the major focuses of our marketing strategy. In 2015 we won the ITU Social Media Prize for best use of social media.

We engage almost 3.3 million people every day through social media channels. As of January 2017, we had approximately 1.6 million followers on Facebook, 580 thousand followers on Instagram, 190 thousand followers on Twitter and 20 thousand followers on YouTube.

According to the Somera report, in 2016, approximately 40% of total social media conversations regarding apparel brands were about Mavi and the rest were distributed among eight other brands. Mavi had twice as much social media engagement as its closest competitor; and content generated over social media about Mavi reached 249,605.

We maintain and frequently update our "I ♥ Mavi" blog. Our customers can post photos to this blog showing themselves wearing our clothing and accessories. These photos serve as advertisement, and also as a valuable source of market intelligence on how our customers are wearing and combining our products.

Social Responsibility

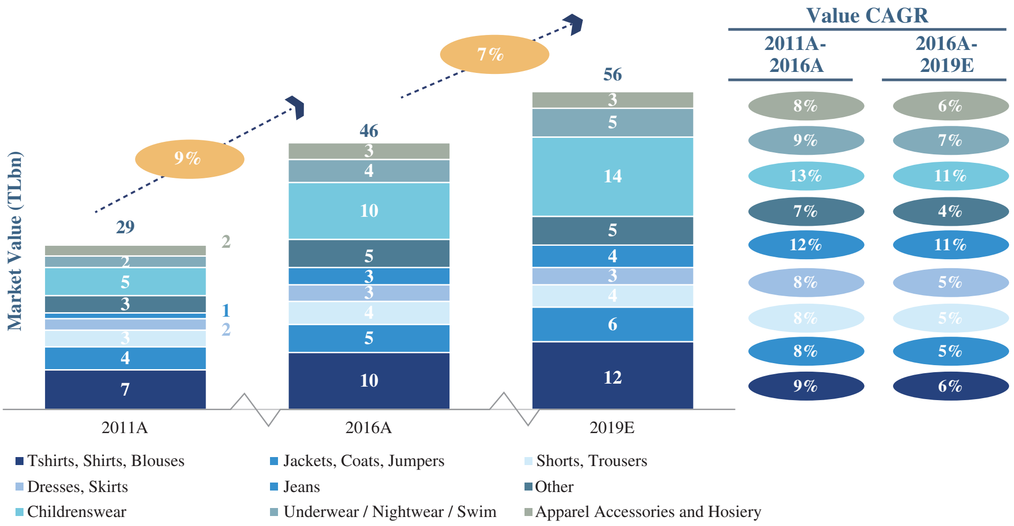
In addition to strong social media presence, we aim to create sustainable benefits for the community and empower young people through youth-inspired social responsibility initiatives. In this respect, we engage in several social responsibility projects, including:

- supporting the efforts of the Ecological Research Society (EKAD) since 2014 with the "Indigo Turtles" project, helping to protect endangered sea turtles;
- establishing the "Mavi Scholarship Fund" as part of the brand's 25th anniversary celebrations. This fund will grant scholarships to 26 female students for the duration of their university educations through Türk Eğitim Vakfı (the Turkish Educational Foundation); and
- providing outfits as part of United Brands Foundation's campaign of Turkey's Brands are Fitting Turkey's Children.

Turkish Apparel Market and Competition

According to Euromonitor, the total market for apparel and accessories in Turkey was approximately TL 46 billion in 2016. Of this amount, adult outerwear represented TL 30 billion and other apparel (including childrenswear, underwear, nightwear, swimwear and other apparel accessories and hosiery) represented TL 16 billion. The total market, which grew at an annual CAGR of 9% between 2011 and 2016, is expected to reach TL 56 billion in 2019, growing at an expected annual CAGR of 7% between 2016 and 2019. In particular, price is expected to represent the main growth driver, outpacing volume growth.

Evolution of Apparel and Accessories Market in Turkey (2011 (actual) – 2019 (estimate), TL billion)



Source: Euromonitor(2016)

Focusing on the adult outerwear market (including t-shirts, shirts, blouses, jackets, coats, jumpers, shorts, trousers, dresses, skirts, jeans and other apparel) in Turkey, Euromonitor forecasts market growth at an annual expected CAGR of 6% between 2016 and 2019, following an annual CAGR of 9% between 2011 and 2016. The jeans category, which has historically been among the fastest growing apparel categories, with an annual CAGR of 12% between 2011 and 2016, is expected to continue growing at an annual CAGR of 11% between 2016 and 2019, while the other product categories (including t-shirts, shirts, blouses, jackets, coats, jumpers, dresses, skirts and other outerwear) are expected to grow at an expected annual CAGR of 5% between 2016 and 2019.

Jeans spending per capita in Turkey is €10, which is materially lower than other countries (e.g., United States with spend per capita of €49, United Kingdom with €45 and Australia with €39 in nominal value) which suggests ample room for further growth.

From a competition standpoint, the Turkish apparel market includes a mix of local and international players. The top ten apparel brands in Turkey are a mix of domestic and international players. In Turkey, as a general overview, our primary competitors in the market for jeans and jeans-centric fashion are the Turkish brands LC Waikiki, Koton, DeFacto and Colin's, as well as the international brand Levi's. According to Euromonitor, the five largest players accounted for approximately 30% of the market in 2016, with Mavi as the only local brand in the upper market segment. In that year we were positioned as fifth in the market excluding department stores, with the three largest players all focusing on the mass market/low-end market segment. Our upper market positioning avoids head-to-head competition with local mass segment players. Instead, in the Turkish apparel market, we see our competitors as Zara, Mango and H&M. Within the Turkish jeans market, Mavi had the largest market share of 24% according to Euromonitor in 2016 and 98% brand awareness in 2016 according to GfK.

We believe local Turkish players, including Mavi, have historically demonstrated an ability to outperform the Turkish apparel market growth and strengthen their positioning vis-à-vis international players, supported by their better ability to compete in terms of price, breadth of options and accessibility.

In particular, we believe Mavi has been able to distinguish itself among its key competitors in Turkey in terms of:

- Strong local brand positioning at the upper end of the core jeans market segment
- Strong brand name recognition and appeal, with Mavi ranked as the top brand for "top of mind" brand awareness (source: Mavi Brand Perception Report prepared by GfK, June 2016)
- A 24% market share of the jeans market (source: Euromonitor)
- Ability to develop high-quality innovative products
- Strong direct-to-consumer platform in Turkey, with strong negotiating power enabling the company to secure attractive retail locations in Turkey
- Flexible supply chain, with ability to react quickly to customer trends via a modern CRM platform and local sourcing base in Turkey

Internationally, we are positioned as a 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. We compete at the upper end of the core jeans market, and are able to offer premium products to enhance and grow our market position and pricing power.

We face competition from a broad range of competitors at global, regional and local levels in diverse channels across a wide range of retail price points, and some of our competitors are larger and have more resources than we do in the markets in which we operate. Our primary competitors include vertically integrated specialty stores, jeanswear brands, retailers' private or exclusive labels, and certain e-commerce sites.

According to 2015 Fortune 500 results, we rank as the 152nd largest company in Turkey. Also, according to Ekonomist Franchising 100 Study, we are the fourth largest franchiser in Turkey in 2016.

The following table shows information on our market share in Turkey in 2016 compared with the market shares of our major competitors:

Apparel Market[1]		Jeans Market[2]	
Player	Market Share	Player	Market Share
	(%)		(%)
Competitor 1	**15.4**	**Mavi**	**23.5**
Competitor 2	**4.2**	Competitor 1	**19.0**
Competitor 3	**3.9**	Competitor 3	**11.1**
Competitor 4	**2.4**	Competitor 7	**6.0**
Mavi	**2.3**	Competitor 10	**3.3**
Competitor 5	**1.6**	Competitor 4	**2.3**
Competitor 6	**1.4**	Competitor 2	**1.8**
Competitor 7	**1.4**	Competitor 11	**1.8**
Competitor 8	**1.3**	Competitor 12	**1.8**
Competitor 9	**1.1**	Competitor 13	**1.1**

Source: Euromonitor.

(1) Analysis for apparel market excludes department stores. Market shares calculated on the basis of the apparel market in Turkey, including men's outerwear, women's outerwear, children's wear, underwear / nightwear / swim and apparel accessories and hosiery.

(2) Market shares calculated on the basis of the jeans market in Turkey.

Insurance

Our stores (including inventory) are covered by workplace fire insurance and third party liability insurance covering full risks, which are provided by Groupama Sigorta A.Ş. Furthermore, we are also insured under an employer's liability policy for any claims in relation to employees, such as claims that may arise in cases of work accidents.

In addition, we used to hold a cash/value in transit policy to minimize the risk associated with the physical transfer of cash generated by our stores to the banks. However, as we executed an agreement to outsource the transportation of the cash generated by our stores, we have not renewed and no longer hold cash/value in transit policy.

We believe that we are adequately insured against all customarily covered losses and risks involving property and third party liability.

All of our insurance policies will expire on March 15, 2018. We expect to be able to renew our existing insurance policies as they expire without material increases in premium. We have not experienced any material disputes with our insurers in respect of insurance claims we have made.

Incentives

The Turquality Support Program is a Turkish state initiative aimed to facilitate prestigious Turkish companies to promote their Turkish brands and related products as part of a global branding campaign. Companies that have been selected to take part in the Turquality Support Program are, among other things, eligible to receive state funding of up to of 50% of the marketing costs of a branding campaign launched abroad for a period of five years. We have been benefitting from this support since 2008. This support may only be obtained for two periods. Our second period will end by the end of September 2017. Therefore we will not be able to renew the support in the forthcoming years. The following table shows the incentives received during the last three years:

Years	Incentive (Thousand TL)
2014	5,862
2015	7,243
2016	4,641

Intellectual Property

We rely on trademarks to protect the brand names we use on our products. We have an extensive trademark portfolio. We use the "Mavi" and "Mavi Jeans" brands to sell our branded products. We periodically monitor our intellectual property rights in each jurisdiction.

Trademarks

Turkey

We have registered over 250 trademarks in Turkey. We have ceased using approximately 50 of these trademarks. Accordingly, we have not renewed their registration, and their legal protection has lapsed. Our other local trademarks are registered with the Turkish Patents and Trademark Office. Each legal protection term is for a period of ten years from the initial registration date. This protection can be renewed for subsequent ten-year periods. In addition, we enjoy further privileges and rights with respect to our brand "Mavi" which is registered as a well-known brand.

International Trademarks

We have approximately 230 registered trademarks in various jurisdictions outside of Turkey including Germany, the United States, Russia, Canada, Netherlands and Australia, the countries where we generate most of our sales outside of Turkey. Each benefits from legal protection for different terms in accordance with the intellectual property laws of each respective jurisdiction. Our subsidiaries use our trademarks registered abroad through service level agreements.

Patent/Industrial Designs

We have one patent registered with the Turkish Patent and Trademark Office, which is not used anymore, called "underwear supported by three dimensional filling material". We have approximately 50 registered industrial designs.

Domain Names

We have 392 domain names. The seven domain names that we use actively are:

- www.mavi.com;
- us.mavi.com;
- ca.mavi.com;
- www.mavi-store.de;
- ru.mavi.com;
- www.mavi.net.au; and
- www.ilovemavi.com.

We have registered the domains www.mavi.com.tr and www.mavijeans.com.tr with the Middle East Technical University in Ankara. Within the system maintained by the international registrar authorities ICANN and IANA, the Middle East Technical University is the sole Turkish registrar for domain names with the ".tr" extension, including ".com.tr".

Facilities

We do not own any real estate, and all properties we currently use (including our headquarters and all stores and warehouses) are leased. We also executed sublease agreements with our distributors and franchisees in Turkey in which we sublease certain stores that we leased. In some of these stores, we have executed a separate warehouse lease agreements for storage of relevant stores' stocks.

We have executed lease agreements for our directly operated mono-brand stores and warehouses as well as our headquarters. Some of these stores are located in shopping malls whereas the others are in various locations in Turkey and abroad.

Material aspects of our Turkish lease agreements are as follows:

Term and Termination

A majority of our lease agreements include provisions that limit our right to unilaterally renew the agreement. They also provide that the lease term can only be extended, or the lease agreement can only be renewed, through written agreement of the parties. In addition, under most of our lease agreements, we have the right to terminate the agreement unilaterally upon notice. The notice periods are of various lengths.

Under the Turkish Code of Obligations no. 6098 (the "**TCO**"), lease agreements for workplaces that have a limited term will be automatically extended for one-year periods after their expiry, unless the lessee notifies the lessor of its intention to terminate the lease at least 15 days in advance. Except for certain special reasons, the lessor cannot terminate the agreement unilaterally solely due to the expiry of the term. However, at the end of ten years of lease period in total, the lessor can terminate the agreement with a notice delivered at least three months prior to the expiration of the term. As such, regardless of the terms of a lease agreement's renewal in an agreement, since the TCO will prevail, we believe that we will be protected from eviction even if the agreements require parties' written agreement to extend the term.

Adjustments

Under the TCO, the rental fees in lease agreements with a term longer than (or to be extended so that it is longer than) five years, can be revised by the relevant court upon application of the lessor, provided that the parties failed to determine the increased rate themselves. The court will adjust the lease amount considering inflation, the condition of the property and the lease amount of other similar properties. This TCO provision will enter into force on July 1, 2020 and lessors may apply to the courts to increase the rental fees starting from the year 2020, if the relevant lease agreement has been extended for a period longer than five years. In leases based on foreign currency, the law requires the courts to take into account the appreciation of the relevant foreign currency when reviewing the agreements.

Change of Control

Some of our lease agreements contain various types of provisions with respect to the changes to our shareholding structure. Some of these provisions require the lessor's prior consent and the others require us to inform the relevant lessor of the change of our shareholding or change in our control structure. There are 15 lease agreements that require the lessor's prior consent in case of a change of control. We believe that our lessors regard us as a credible, high-quality tenant, and that we will therefore be able to obtain any necessary prior consents.

Rental Fee

Rental fees have been adjusted from time to time due to the changes in the economic circumstances or according to the additional protocols between us and the lessors.

There are different types of fee structures under our lease agreements. In general, the rental fee consists of two components: a minimum fixed amount and a turnover-based amount. The turnover-based amount is calculated over the monthly and/or annual turnover of the relevant store. The turnover-based amount may not be less than the minimum fixed amount. If it is, we pay the minimum fixed amount rather than the turnover-based amount. We typically bear a pro rata share of common expenses, primarily in cases where stores are located in shopping malls.

Certain lease agreements also contain provisions regarding collateral to be provided by us. Despite these provisions, in some cases we have not yet been required to provide such collateral, which we attribute to our good relationships with the lessors. Even if the counterparties ask us to provide such collateral, we do not believe this would have a material adverse effect on our business.

See "—*Our Operations—Supply Chain and Logistics*" for a description of our warehouse operations in Turkey and abroad.

Information Technology

Our ERP software is provided by Promaks Yazılım Sanayi ve Ticaret A.Ş.

There are 13 information technology agreements with various software and consulting companies such as Agilone, SAP, Microsoft, CS4, Prodea, Metrik Bilgisayar, Vektora, DTP etc. These agreements comprise various software licenses, maintenance and support services for software and hardware, cloud computing services/ solutions, such as Azure and SuccesFactors, and certain consultancy services.

In addition to the IT related services provided by third parties, we have an in-house IT team both in and outside Turkey.

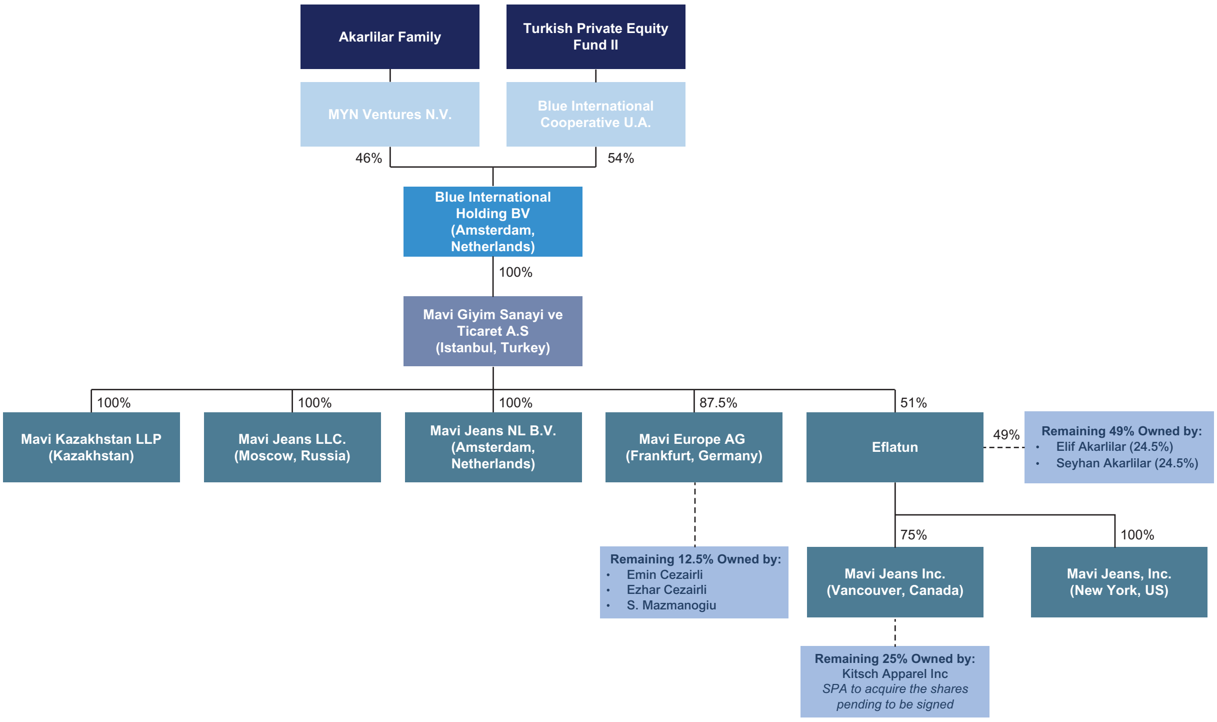
We do not carry out any software development in other countries. Apart from that, the same IT structure is maintained in the countries in which we have a local office. However, the headcount is less and, depending on the needs of the country, some positions are combined. For instance, there are no separate system administration and business solutions teams in Russia; both services are performed by the same personnel. These IT teams coordinate closely with our headquarters and main decisions are made with our headquarters' input.

Each country has a head of IT who reports directly to his or her respective country manager as well as to the chief information officer.

We have been working on and procuring services with respect to a more sophisticated inventory tracking and replenishment software which enables us to allocate and reallocate inventory more efficiently and provides a higher degree of visibility with respect to the sales of directly operated mono-brand stores in Turkey.

Corporate Structure

The following table shows the Mavi corporate structure as of the date of this offering circular:



We are currently contemplating certain possible changes to the corporate structure outlined above:

Mavi Canada. As at the date of this offering circular we are in negotiation process with respect to the acquisition of Kitsch Apparel's 25.0% share in Mavi Canada. See "*Related Party Transactions*."

Mavi Europe. The three minority shareholders of Mavi Europe hold a put option permitting them to require us to purchase their shareholdings in Mavi Europe for €2,500,000. They exercised this option on March 29, 2017. We expect to complete our acquisition after payment of the last installment, expected to take place on October 31, 2017, following which we will be the sole shareholder of Mavi Europe. See, "*Management's Discussion and Analysis of Results of Operations and Financial Condition–Contractual Commitments*."

Eflatun. We have a call option, which will become effective as of February 1, 2018 for a period of three years, to acquire the remaining shares of Fatma Elif Akarlılar, Seyhan Akarlılar in Eflatun amounting to 49% of Eflatun's capital. We can exercise this call option only once and for all remaining shares, and only during the month of May of any year in which the option is in effect. Fatma Elif Akarlılar and Seyhan Akarlılar, on the other hand, have a put option, which will become effective as of February 1, 2018 for a period of three years, with respect to the same shares. Fatma Elif Akarlılar and Seyhan Akarlılar can exercise this put option only during the month of May of any year in which the option is in effect. Fatma Elif Akarlılar and Seyhan Akarlılar can exercise the put option in several tranches for any percentage of remaining shares. If we exercise our call option, or if Fatma Elif Akarlılar and Seyhan Akarlılar exercise their put option in full, we will be the sole shareholder of Eflatun. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Contractual Commitments*."

Employees

We had 3,340 employees, including 701 employees at headquarters and 2,639 as a sales force at our directly operated mono-brand stores, worldwide as at Fiscal Year End 2016. The following table shows the number of employees as at the dates indicated:

	Fiscal Year End		
	2014	**2015**	**2016**
Administrative Employees	458	489	502
Sales Force	1,984	2,206	2,472
Turkey	2,442	2,695	2,974
Germany	140	161	151
Russia	80	87	83
Canada[1]	—	—	62
USA[2]	—	—	61
Netherlands	11	9	9
Abroad	335	369	366
Total	2,673	2,952	3,340

(1) In Fiscal Year 2014 and Fiscal Year 2015, Mavi Canada had 44 and 56 employee, respectively.

(2) In Fiscal Year 2014 and Fiscal Year 2015, Mavi USA had 60 and 56 employee, respectively.

As a consequence of recent changes in the Private Pension Law no. 4632, because we employ more than 2,000 personnel we are required to implement the auto-enrollment of our employees in the private pension system. We are working with Garanti Emeklilik ve Hayat A.Ş. to enroll our employees into the private pension system. This system will not put any financial burden on us and we will continue to pay the same social security premium.

We do not procure any of our workforces through a collective bargaining arrangement. We believe that we have a good relationship with our employees and to date we have not experienced any material labor disputes. We provide regular training programs to our employees and we believe our training program feeds our continuing growth and enables us to have good relations with our customers.

Material Agreements

Distributor and Franchise Agreements

We have various franchise relationships with entities both in and outside Turkey. We execute written agreements with our franchisees in Turkey. Outside Turkey, we only executed three written franchise agreements with our international franchisees and carry out our franchise relation with the remaining 36 franchisees without a written agreement.

Foreign Distributors and Franchisees

We use a standard-form distribution and franchise agreement for distributors and franchisees outside Turkey. As at the date of this offering circular, we have only executed three written franchise agreements. We also have a standard form franchise and master franchise agreement, which includes minor variations from the distribution agreement, such as term, exclusivity, and obligations on the reporting requirements, to be executed with the franchisees and master franchisees outside Turkey.

Our standard form distribution agreement grants the distributor the rights to distribute in the relevant territory the products that the distributor purchases from us, and to distribute, sell, market and promote our products in the relevant territory.

The initial term varies depending on the agreement with each distributor. Our standard form distribution agreement provides for a fixed term without renewal.

The distributor is free to determine the prices it will charge to its customers for our products. The distributor is under obligation to make payment with respect to the relevant invoice within sixty days following the issuance of such an invoice and to provide us with an unconditional first-demand bank letter of guarantee to such effect.

There is no minimum purchase or supply requirement under the standard form agreement. The distributor must purchase all of the products that are listed in the agreement from us. We may supply, to other persons in that territory, the products that are not supplied to the distributor. We also retain the right to open our own stores in that territory.

We may terminate the agreement without any cause with 90 days' prior written notice. The agreement automatically terminates at the expiry of this 90 day period without further action on our part.

We may also terminate the agreement at any time during the initial term or any renewal period, with immediate effect, by giving notice in writing to the distributor upon the occurrence of:

- a breach of the agreement not cured in the period set forth under the agreement
- the insolvency or bankruptcy of the distributor
- the distributor's inability or prospective failure to make payments
- a change of control, management, ownership or sale of assets of the distributor
- poor performance or failure to meet agreed-upon commitments.

Local Franchisees and Corner Stores

We execute standard form franchise agreements with our franchisees and standard form agreements (Selective Distribution System Membership) with corner stores. The key provisions of our standard form agreement executed with corner stores are as follows:

- The initial term of the agreement is one year. The agreement is renewed for another year provided that one month's notice from us or three months' notice from the corner store with respect to termination is not served. The agreement terminates in any case at the end of five years.
- We are entitled to unilaterally determine the price and the payment schedule.
- The corner store has a seasonal purchase obligation. Accordingly, the corner store must place principal seasonal orders no less than the amount agreed under the agreement. The corner store has no exclusivity over any area in Turkey. Further, there are no non-compete, non-solicit or exclusivity provisions under the agreement.
- Following termination of the agreement, if the corner store fails to comply with its obligation to return products and materials bearing "Mavi" trademark, it must pay us a penalty equal to the sales purchase amount for the past twelve months.

Either party may terminate the agreement on 90 days' written notice. We may also terminate the agreement upon written notice on a number of grounds. These include failure of the corner store to fulfill its obligations, significant underperformance compared to other corner stores, failure to provide adequate security, change of control, sale of counterfeit products or unauthorized use of our trademarks and brand names, and any other just cause for termination.

The agreement terminates automatically upon any of the following:

- the insolvency or bankruptcy of the corner store;
- the death of a corner store operator who is a natural person;
- the liquidation of the corner store or the closure of its store, the termination of our right to use the trademark "Mavi"; or
- a strike or lockout taking place at the corner store's workplaces.

The key provisions of our standard form franchise agreement with our local franchisees are as follows:

- The initial term of the agreement is one year. The agreement is renewed for another year provided that one month's notice from us or three months' notice from the franchisee with respect to termination is not served. The agreement terminates in any case at the end of five years.
- We are entitled to determine the maximum sale price for our products. The franchisee is entitled to determine the sale price, subject to that limit.

- Upon our request, the franchisee must purchase a minimum amount of a given product.
- The franchisee has no exclusivity over an area.
- The franchisee cannot compete with us in markets in which we conduct our own sales.

The franchisee must pay a penalty equal to one third of the purchase amount of the last twelve months, if:

- the franchisee sells products with a trademark other than "Mavi" or otherwise acts in a way that would harm our trademark image;
- the franchisee fails to comply with its obligation not to sell products bearing trademark other than the "Mavi" trademark;
- the franchisee fails to transfer the store to a third party upon our request upon the termination of the agreement; or
- we terminate the agreement for cause.

The franchisee must pay us a penalty equal to three times the purchase amount for the past twelve months, if:

- it transfers the store or changes its shareholder structure without our approval; or
- it fails to comply with its confidentiality obligation.

Mavi may terminate this Agreement without any cause, with 90 days' prior written notice. For the avoidance of doubt, the Agreement shall automatically terminate at the expiry of such 90 days period without the need to take any further actions by Mavi.

If the franchisee manufactures or sells "Mavi" branded products (other than those it obtains from us), it must pay us a penalty equal to three times the revenue in the last twelve months in addition to any damages caused by the conduct.

In case of the franchisee's failure to comply with the non-compete clause, the franchisee must pay us a penalty equal to six times the purchase amount of the last twelve months.

Lease Agreements

No single lease agreement is material to our business. However, our retail store leases as a whole are material to our business in Turkey because we operate a large number of mono-brand retail, and our strategy calls for us to increase this number. To a lesser degree, leases are also significant for our business abroad, primarily in Germany, North America and Russia. See "—*Facilities*".

Manufacturing Agreements

We do not manufacture any of the products we sell but have them manufactured by other companies in Turkey or abroad through manufacturing agreements.

We executed the standard form manufacturer agreement with our manufacturers. We are not able to identify a running account to the manufacturer in our ERP system if the manufacturer does not sign the agreement.

The key provisions of our standard form manufacturing agreement are as follows:

- The initial term varies depending on the agreement with each manufacturer. There is no automatic renewal clause upon the expiry of the initial term.
- We do not have the obligation to continuously place orders to the manufacturer during the validity period of the agreement and the manufacturer has no exclusivity. There are no non-compete, non-solicit or exclusivity provisions under the agreement.
- We may unilaterally terminate the agreement, without cause, upon one month's notice.

We may also terminate the agreement if the manufacturer:

- prevents on-site inspection;

- fails to comply with our human-health and environmental standards. We require our manufacturers to sign the Restricted Chemicals Declaration and Ecological Commitment, undertaking to provide goods in compliance with the REACH chemicals regulation no. EC 1907/2006 that entered into force in the European Union in 2007 (Certification, Evaluation, Authorization and Restriction of Chemicals), and ensuring that Mavi products they manufacture for us comply with regulations applicable in Turkey and with European Union standards on the use of restricted chemical substances;
- sells order surplus, second-quality products, third-quality products or products to be destroyed.

Erak Manufacturing Agreement

We executed a manufacturing agreement similar to our standard form of manufacturing agreement with Erak on April 5, 2017. The key provisions of the manufacturing agreement with Erak are as follows:

- The initial term is between January 1, 2016 and December 31, 2017. The agreement will be automatically renewed for one year upon the expiry of the initial term in case the parties do not terminate the agreement until a month prior to expiry of the initial term.
- We do not have the obligation to continuously place orders to Erak during the validity period of the agreement and Erak has no exclusivity. However, we have to notify Erak with the annual estimated order amount twice a year and to provide updates to such estimation monthly as an indicative measure. There are no non-compete, non-solicit or exclusivity provisions under the agreement.
- We may unilaterally terminate the agreement, without cause, upon six months' notice.

We may also terminate the agreement if Erak:

- prevents on-site inspection;
- fails to comply with our human-health and environmental standards including the signing of the Restricted Chemicals Declaration and Ecological Commitment by Erak;
- sells order surplus, second-quality products, third-quality products or products to be destroyed; and
- delays in shipment of the orders for one to ten days for at least ten times within a year.

There are also certain penalty provisions and discount rates to be applied on our behalf in case of circumstances specified under the agreement.

In addition, we require Erak to maintain certain stocks of denim fabric in its warehouses to ensure that it is able to respond to our production needs quickly. To assist Erak in maintaining these stocks, we provide vendor financing of these raw materials through a running account. The advance provided account is adjusted monthly, at its highest point and during Fiscal Year 2016, it amounted to TL 16 million. We record these amounts on our consolidated statement of financial position as short-term prepayments. This arrangement is developed as a business practice and is not provided under our agreement with Erak.

Logistics Services Agreement

We have procured logistics services from Ekol since 2011. Furthermore, we signed a logistics services agreement with Ekol on January 1, 2015 for the period from December 1, 2013 to December 1, 2017. The agreement will be renewed for another year with the same terms and conditions, except for service fees, if the parties do not serve a termination notice until four months prior to the expiry of the initial term. Pursuant to this agreement, Ekol provides us with warehouse services, including the controlling of products to be stored, packaging, preparation for delivery, and management of return of products. According to the agreement, we exclusively procure these services from Ekol and will not enter into a new agreement or commercial relations with another party in Turkey related to logistics services covered under this agreement.

We are entitled to unilaterally terminate the agreement if:

- Ekol cannot open the warehouse(s) due to a problem arising from the land registry certificate and/or occupancy permit, its license is cancelled more than 30 days during the term of this agreement, or its business is closed more than five days and we cannot reach a mutual understanding on these kind of problems;
- Ekol changes the warehouse(s) without our written consent; or

- Ekol changes its service warehouses and ceases to provide services at its warehouse located at Gebze, Kocaeli province without our approval.

We are also entitled to unilaterally terminate the agreement if more than 49% of the share capital of Ekol is transferred to a third party.

Both parties may unilaterally terminate the agreement upon four months' written notice (six months prior notice following the extended terms after December 1, 2017).

License Agreement

We have executed a license agreement with Mavi Jeans Australia Pty Ltd. and Mavi Jeans Australia Pty Ltd.'s shareholder Paul Anthony Hootman on August 1, 2015. The license granted under this agreement will remain in force until February 1, 2018, and in case of renewal until August 1, 2018. We have granted the exclusive and non-transferrable license which includes the right to manufacture, market, distribute and sell our branded products in Australia and New Zealand during the term of this agreement.

Co-Existence Agreement

We have executed a trademark co-existence agreement with Mavic SAS on October 22, 2012. This agreement enables both parties to use their respective trademarks, Mavi and Mavic, without any opposition to, or claims from, each other all around the world.

Regulatory and Licensing

Our activities are subject to Turkish rules and regulations, which are administered at the national level by the Ministries of:

- *Labor and Social Security*, which is responsible for the regulation of employment, employee's rights and remuneration, social security, severance pay and occupational health and safety,
- *Science, Industry and Technology*, which is responsible for the regulation of the retail sector, consumer protection, e-commerce and distance sales agreements, and
- *Internal Affairs*, which is responsible for the regulation of private security services.

We are aware that there are frequent changes to certain laws and regulations, which apply to our operations. We believe that we will be able to make any changes needed in order to comply with the new regulations and do not expect any additional expenditure that may be required in order to comply with these new laws and regulations to be material.

Consumer Protection

Consumer protection in Turkey is mainly governed by the Law no. 6502 on Consumer Protection (the "**Consumer Protection Law**"). As we qualify as a seller, manufacturer and importer, as the case may be, under the Consumer Protection Law, its provisions will be applicable to us.

The Consumer Protection Law covers sellers and buyers' rights and obligations regarding defective goods and/or services and sales agreement terms deemed unfair to consumers. Its scope includes, in particular, distance contracts, price labeling, commercial advertisements and more.

Defective Goods

Under the Consumer Protection Law, defective goods contain material, legal or economic deficiencies that affect the quality and description of the goods specified on the packaging, labels, operating instructions or in advertisements or notices, or declared by the seller or established by standards or technical regulations. Defective goods also contain material, legal or economic deficiencies if they decrease or eliminate the good's value or the benefits a consumer would reasonably expect from the goods or similar goods regarding fitness for purpose.

Consumer Rights

Under the Consumer Protection Law, upon being aware of the product's defects, the consumer can:

- rescind the contract with a refund;
- demand replacement of the goods;

- reduction of the price pro rata the defect; or
- request a free repair. The seller must perform the consumer's selection of remedy.

Free repair or replacement of the product can be requested of the manufacturer or the importer.

If the free-of-charge repair or replacement of the product is disproportionally difficult, the consumer can choose the options to rescind the agreement or reduce the sale price.

Litigation

Consumer courts deal with disputes arising out of the Consumer Protection Law that exceed TL 3,610 for the year 2017. The disputes that do not exceed TL 3,610 will be settled by consumer arbitral tribunals.

E-Commerce Law

Our transactions conducted on "www.mavi.com" fall under the scope of the definition of "e-commerce" activities under the Law no. 6563 on Regulation of Electronic Commerce (the "**E-Commerce Law**"), and therefore, our electronic commercial activities will be subject to the relevant e-commerce legislation.

We qualify as a "service provider" under the E-Commerce Law, the Regulation on Commercial Communication and Electronic Commercial Messages (the "**Commercial Communication Regulation**") and the Regulation on Service Providers in Electronic Commerce and Intermediary Service Providers (the "**Service Providers Regulation**").

The provisions of this law establish the obligation of service providers to provide sufficient information to consumers during electronic commerce transactions and the obligations of service providers regarding commercial communication. The E-Commerce Law also imposes administrative fines for the service providers who do not comply with the obligations under the E-Commerce Law.

Distance Agreements Regulation

The agreements concluded between us and consumers on "www.mavi.com" are qualified as "distance agreements" under the Consumer Protection Law and the Regulation on Distance Contracts (the "**Distance Agreements Regulation**").

There are certain requirements for sellers and service providers who are engaged in distance agreements with consumers, including the communication of the information listed under the Distance Agreements Regulation, to the consumer before conclusion of a distance agreement. Such information includes basic qualifications of the good, trade name and contact details of the seller, price of the good and additional costs.

Under the Distance Agreements Regulation, the consumers are granted the right to cancel, which can be exercised within 14 days without any grounds or payment of a penalty. The seller or service provider must reimburse all payments received from the consumer, including any delivery costs, no later than 14 days after receipt of notice to cancel the distance sales agreement.

Commercial Communication Regulation

The Commercial Communication Regulation establishes the procedure and principles for all communication related to electronic commerce made for the purpose of profit under the scope of professional or commercial activity. Therefore, any communication that falls under this scope will need to fulfill the requirements set forth under the Commercial Communication Regulation.

Under the Commercial Communication Regulation:

- Commercial electronic messages can only be sent to consumers with prior consent. This consent can be obtained in writing or through any kind of electronic communication device.
- Information that provides the identity of the service provider and accessible communication information such as telephone number, fax number, SMS number and email address must be provided in the message.

- Consumers can refuse to receive commercial electronic message, without any reason, anytime they wish.

Service Providers Regulation

As we qualify as a service provider under the Service Providers Regulation, we will be subject to the following requirements:

- Service providers operating e-commerce platforms must provide the information specified under the Service Providers Regulation on their e-commerce platforms.
- Service providers must take necessary precautions to prevent unlawful access to and processing of personal data. Personal data must not be transferred to third parties, processed or used for other purposes, without the explicit prior consent of the data subject.
- Service providers must keep all electronic records regarding e-commerce transactions for a period of three years and must present these records to the Ministry of Customs and Trade in case of a request.

Data Protection

Turkey's first personal data protection law, the Law no. 6698 on the Protection of Personal Data (the "**Data Protection Law**") entered into force on April 7, 2016.

The Data Protection Law is modeled after the European Union Data Protection Directive 95/46/EC, and mandates administrative fines and criminal sanctions, including prison sentences under the Turkish Criminal Code, for the unlawful collection, processing and transmission of personal data, effective as of October 7, 2016.

The Data Protection Law introduced the following significant requirements:

- personal data may only be processed if the data subject has given his/her explicit consent;
- data subjects have the right to access their personal data and apply to the data controller;
- cross-border data flows require explicit consent of the data subject; and
- organizations must have appropriate security measures in place to ensure information security.

The Data Protection Law is applicable to all companies processing personal data without any exceptions (e.g., personal data relating to natural person customers, suppliers, and employees). The companies must align their activities with the Data Protection Law within two years, until April 7, 2018.

We have undergone a data privacy compliance program and taken various steps to align our activities with the Data Protection Law. We have completed the notice requirements by informing our customers through online channels of our privacy policy, which is amended in line with the Data Protection Law. In addition, we held an informatory training session to increase the level of staff knowledge on concepts and principles of data protection. We have conducted penetration tests to identify the weak spots of "www.mavi.com", our e-commerce website. The results proved that "www.mavi.com" provides necessary security measures including securing customers' personal data.

Workplace Opening and Operation Licenses

The Regulation on Workplace Opening and Operation Licenses requires businesses to obtain a workplace opening and operation license, before beginning operations in the workplace, unless an exemption is available. Examples of such workplaces include offices, stores, headquarters and warehouses. Our business is not exempt from this requirement. We must therefore obtain a workplace opening and operation license for our headquarters and for each of our offices and stores. As of the date of this offering circular, we duly applied to obtain workplace opening and operation license for our new eleven stores and are currently in the process of obtaining work place and operation licenses for some of those stores.

We are currently unable to obtain a license for 16 directly operated mono-brand stores in Turkey, 15 stores located in shopping malls and one high street store. The operators of the shopping malls where these stores are located have failed to obtain necessary permits for construction and occupancy. As long as these shopping malls do not obtain their permits for construction and occupancy, we will not be able to obtain a workplace opening and operation license for these stores.

Legal Proceedings

We are currently not involved in any material litigation, arbitration or other administrative proceedings which, if decided against us, would individually or in the aggregate have a material adverse effect on our business, results of operations or financial condition. In the ordinary course of our business, we are, from time to time, subject to product liability, lease related lawsuits and labor law related lawsuits. We may be subject to legal proceedings and claims in the ordinary course of our business and such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

MANAGEMENT

Board of Directors

Our board of directors is responsible for our management.

Under Turkish law, members of the board of directors can be appointed from among shareholders as well as non-shareholders, and both real persons and legal entities can be appointed as members of the board of directors. In the event a legal entity is appointed as a member of the board of directors, a real person must be appointed by the legal entity member of the board of directors as its representative to exercise all rights and fulfill all duties of a member of the board of directors on behalf of that legal entity.

Each director is elected for a maximum term of three years. Directors may be re-elected after their terms have expired. The re-election of independent members to the board of directors should be in accordance with the Corporate Governance Principles.

Composition

Our articles of association require that our Board of Directors be comprised of six members appointed by our shareholders, including the minimum number of independent board members required by the Corporate Governance Principles. As of the date of this offering circular, none of the members of our Board of Directors is independent. However, in accordance with Turkish capital markets regulations, following the Offering, we plan to appoint two independent directors. See "*—Post-Offering Composition*."

The Class A Shares have certain rights with respect to nomination of candidates for the Board of Directors and for chairman of the Board of Directors. See "*Description of Our Share Capital—Share Classes—Privileges of Class A Shares—Board Representation*" and "*Description of Our Share Capital—Board of Directors*."

Three of the current members of our Board of Directors are appointed among the nominees appointed by Blue International Holding Cöoperatie U.A., which is entirely owned by TPEF II, and two of them are appointed among the nominees appointed by MYN Ventures N.V. which is entirely owned by the Akarlılar Family. This arrangement is in accordance with the agreement between Blue International Holding Cöoperatie U.A. and MYN Ventures N.V.

The following table shows the members of our Board of Directors as at the date of this offering circular:

Name	Position	Year of birth	Year first elected	Year term ends
Seymur Tarı	Chairman	1969	2008	2018
Ragıp Ersin Akarlılar	Vice Chairman	1969	2008	2018
Arif Kerem Onursal	Member	1977	2008	2018
Fatma Elif Akarlılar	Member	1969	2008	2018
Hatice Hale Özsoy Bıyıklı	Member	1977	2008	2018
Ahmet Cüneyt Yavuz	Member	1968	2017	2018

Seymur Tarı was elected as a member of the Board of Directors for a three year term at the General Assembly meeting held in April 30, 2015. Seymur Tarı works at the İstanbul liaison office of Turk Ventures Adv LTD which provides consultancy services to TPEF II, and previously worked with McKinsey & Company in Istanbul, focusing on corporate portfolio strategy, and at Caterpillar Inc. in Geneva as a product manager with responsibility for the EMEA & CIS regions. Seymur Tarı has an MBA from INSEAD and an MSc and BSc in Mechanical Engineering and Robotics from ETH Zurich. Seymur Tarı also serves on the boards of Medical Park Sağlık Hizmetleri A.Ş., Flo Mağazacılık ve Pazarlama A.Ş., Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. and Pizza Restaurantları A.Ş.

Ragıp Ersin Akarlılar was elected as a member of the Board of Directors for a three year term at the General Assembly meeting held in April 30, 2015. Ragıp Ersin Akarlılar graduated from Robert College and has a BSc in Economics from Bosphorus University and completed a masters program in finance and international business at New York University, Leonard N. Stern School of Business. He joined Mavi in 1991 and established Mavi USA in New York in 1996. Ragıp Ersin Akarlılar also serves as president of Mavi USA.

Arif Kerem Onursal was elected as a member of the Board of Directors for a three year term at the General Assembly meeting held in April 30, 2015. Arif Kerem Onursal works at the İstanbul liaison office of Turk Ventures Adv LTD, which provides consultancy services to TPEF II, and was formerly a Senior Associate with McKinsey & Company in Berlin, focusing on strategy development for various industries including pharma, automotive and private equity. Kerem has a BSc in Industrial Engineering and Economics from Northwestern University. Kerem also serves on the boards of Medical Park Sağlık Hizmetleri A.Ş., Flo Mağazacılık ve Pazarlama A.Ş., Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. and Natura Gıda Sanayi ve Ticaret A.Ş.

Fatma Elif Akarlılar was elected as a member of the Board of Directors for a three year term at the General Assembly meeting held in April 30, 2015. Fatma Elif Akarlılar was elected to our board of directors and appointed Global Brand Manager in 2008. She joined Mavi in 1991 and, prior to her appointment as Global Brand Manager, held various product development and brand management positions within our organization. Ms Akarlılar holds a post-graduate degree in International Politics from the University of Vienna and an MA degree in Visual Culture from New York University.

Hatice Hale Özsoy Bıyıklı was elected as a member of the Board of Directors for a three year term at the General Assembly meeting held in April 30, 2015. Hatice Hale Özsoy Bıyıklı works at the İstanbul liaison office of Turk Ventures Adv LTD, which provides consultancy services to TPEF II, and was formerly a Senior Associate with Goldman Sachs Investment Banking division in London, focusing on retail, consumer, luxury goods and leisure industries. Hatice Hale Özsoy Bıyıklı previously worked for The Boston Consulting Group and Andersen Business Consulting in Istanbul and Amsterdam. Hatice Hale Özsoy Bıyıklı holds an MBA from Harvard Business School and an MSc and BSc in Electrical Engineering and Computer Science from MIT. Hatice Hale Özsoy Bıyıklı also serves on the boards of Medical Park Sağlık Hizmetleri A.Ş.

Ahmet Cüneyt Yavuz was elected as a member of the Board of Directors until the completion of other members' term, at the General Assembly meeting held in March 22, 2017. Ahmet Cüneyt Yavuz joined Mavi in 2008 as Chief Executive Officer and is a member of our board of directors. Prior to his appointment as CEO he held various senior management positions at Proctor & Gamble including sixteen years of experience in sales and marketing positions. Mr. Yavuz holds a BA degree in International Relations from Bosphorus University and a post-graduate degree from Johns Hopkins University.

Post-Offering Composition

The net proceeds to be received by the Selling Shareholder from the Offering are contemplated to be shared between TPEF II (through Blue International Holding Cöoperatie U.A.) and the Akarlılar Family (through MYN Ventures N.V.), resulting in a restructuring of the Selling Shareholder. As a result of this restructuring, Arif Kerem Onursal and Hatice Hale Özsoy Bıyıklı will resign from our Board of Directors, and MYN Ventures N.V. will nominate two candidates as independent directors to replace them. The restructuring and the changes to our Board of Directors are expected to be completed as soon as practicable, which will likely be within 30 days after the closing of the Offering. All material updates relating to the resignation and appointment of members of the Board of Directors will be disclosed through the Public Disclosure Platform. See "*Principal and Selling Shareholder—Post-Offering Control*."

Below is a description of Ahmet Ashaboğlu and Nevzat Aydın, who will be nominated to serve as independent directors after the Offering:

Ahmet Ashaboğlu graduated from Tufts University and earned a Master's degree from Massachusetts Institute of Technology in Mechanical Engineering. In 1994, he began his career as a Research Assistant at Massachusetts Institute of Technology, held various positions at UBS Warburg between 1996 and 1999 and worked as Management Consultant at McKinsey & Company, New York, between 1999 and 2003. He joined Koç Holding as Group Finance Coordinator in 2003. He has been serving as the chief financial officer at Koç Holding since 2006.

Nevzat Aydın is the chief executive officer and the founder of Yemeksepeti.com, the first and the largest online food delivery portal in Turkey, since 2000. He graduated from Boğaziçi University Department of Computer Engineering and earned an MBA degree from the University of San Francisco in California, USA. Nevzat Aydın is a member of the Young Entrepreneurs Supreme Board of the Union of Chambers and Commodity Exchanges of Turkey, and a founding member of Galata Business Angels.

Senior Management

The following table shows our senior management as at the date of this offering circular:

Name	Position	Year of birth	Year appointed
Ahmet Cüneyt Yavuz	Chief Executive Officer	1968	2008
Tuba Toprakçı Yılmaz	Chief Financial Officer	1971	2006
Fatma Elif Akarlılar	Global Brand Director	1969	2008
Savan Tüysüz	Turkey Country Director	1975	2016

Ahmet Cüneyt Yavuz joined Mavi in 2008 as Chief Executive Officer and is a member of our board of directors. Prior to his appointment as CEO he held various senior management positions at Proctor & Gamble including sixteen years of experience in sales and marketing positions. Mr. Yavuz holds a BA degree in International Relations from Bosphorus University and a post-graduate degree from Johns Hopkins University.

Tuba Toprakçı Yılmaz was appointed Chief Financial Officer in 2006. Before becoming CFO, she served in various positions in our U.S. subsidiary and has been with Mavi for 19 years in total. Ms Yılmaz holds a BA degree in Business Administration and an MA degree in Finance from Istanbul University.

Fatma Elif Akarlılar was elected to our board of directors and appointed Global Brand Manager in 2008. She joined Mavi in 1991 and, prior to her appointment as Global Brand Manager, held various product development and brand management positions within our organization. Ms Akarlılar holds a post-graduate degree in International Politics from the University of Vienna and an MA degree in Visual Culture from New York University.

Savan Tüysüz joined Mavi in January 2016 as Country Director for Turkey. He had previously served since 2012 as Sales Director—Turkey for Reckitt Benckiser and, prior to that, served in a number of senior management positions with Proctor & Gamble. Mr. Tüysüz holds a BA degree in International Relations from Bosphorus University.

Compensation

Short-term benefits provided to senior management and board of directors (with active management duties) for Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016 are shown below:

	Amount (TL)			Number of persons		
	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Board of Directors(1)	1,628,871	1,831,345	3,608,971	2	2	2
Senior Management(2)	12,009,260	12,312,584	18,628,206	19	19	22
Total	**13,638,131**	**14,143,929**	**22,237,177**			

(1) Only includes executive members of the Board of Directors who are actively involved in our day-to-day management.

(2) Senior management consists of the directors of the departments (such as brand and design, finance and planning, sourcing, supply chain, human resources and IT) relating to our Turkish and international operations.

We have reserved TL 267,701 for senior management and TL 144,141 for the members of Board of Directors of the Company and its subsidiaries related to vacation pay liability and severance pay liabilities for Fiscal Year End 2016.

Management Incentives

Since 2012, we have had a management incentive scheme aimed at encouraging the retention of senior management and creation of shareholder value. Within this management incentive scheme, we provide annual bonuses to (i) members of our senior management consisting of directors of operational departments, up to six times their monthly salary, and (ii) managers (consisting of approximately 90 individuals as of the date of this offering circular), up to three times their monthly salary. The annual bonuses are calculated and paid annually. The amount of annual bonus paid to individuals is based on the realization rate of pre-determined performance criteria (such as certain KPIs) against the annual budget.

Following the Offering, we intend to amend our current management incentive scheme for the members of our senior management with a particular focus on long-term incentives. This revised management incentive scheme is expected to have a minimum maturity of three years and to be based on the achievement of certain performance targets, primarily growth in earnings per share. Accordingly, members of our senior management are expected to be entitled to benefit from this long-term management incentive scheme starting from the end of the fiscal year ending on January 31, 2021.

CORPORATE GOVERNANCE

As a privately controlled company, we have not historically implemented certain aspects of corporate governance for public companies, such as heightened requirements for the approval of related party transactions. However, following the Offering, as a public company we will be subject to certain mandatory and non-mandatory corporate governance rules set forth in the Corporate Governance Communiqué II-17.1 (the "**Corporate Governance Communiqué**"), the TCC and the Capital Markets Law, among others. See also "*—CMB Corporate Governance Principles*" below and "*—Board Committees—Corporate Governance Committee*" below.

CMB Corporate Governance Principles

Until the end of 2011, there were no mandatory corporate governance rules in Turkey. In 2003, the CMB issued a set of recommended principles for public companies, which applied to public companies on a "comply or explain" basis. On December 30, 2011, the CMB published its first piece of legislation, which was subsequently amended from time to time, relating to corporate governance which included certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on Borsa Istanbul. The CMB published the Corporate Governance Communiqué in January 2014 which, upon its entry into force, superseded any previous legislation relating to corporate governance.

The Corporate Governance Communiqué contains principles relating to (i) the listed company's shareholders, (ii) public disclosure and transparency; (iii) the stakeholders of the listed company; (iv) the board of directors of the listed company; and (v) related party transactions (the "**Corporate Governance Principles**"). A number of the Corporate Governance Principles are mandatory, and the remainder apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalization and the market value of their free-float shares, subject to recalculation on an annual basis, as determined by the CMB. Companies that have an average market capitalization above TL 3 billion and an average market value of free-float shares above TL 750 million fall within Tier 1; companies that do not fall within Tier 1 and have an average market capitalization above TL 1 billion and average market value of free-float shares above TL 250 million fall within Tier 2; and companies that do not fall within Tier 1 or Tier 2, and shares of which are traded on Borsa Istanbul's Star Market (*Yıldız Pazar*), Main Market (*Ana Pazar*) or Collective Investment Products and Structured Products Market (*Kolektif Yatırım Ürünleri ve Yapılandırılmış Ürünler Pazarı*) fall within Tier 3. The CMB classified 31 companies for the year 2017 as Tier 1 companies, to which all of the mandatory Corporate Governance Principles apply. Certain mandatory Corporate Governance Principles are not applicable to Tier 2 or Tier 3 companies, and at the beginning of 2017, there were 40 Tier 2 companies while the remainder are Tier 3 companies. A company offering its shares to the public or being listed on Borsa Istanbul for the first time falls within Tier 3. Such companies must meet the Corporate Governance Principles applicable to Tier 3 companies as at the date of their first general assembly of shareholders to be convened after commencement of trading on Borsa Istanbul. The classification of companies is subject to reclassification by the CMB. Upon announcement of the CMB's reclassification decision in the CMB's bulletin, a company, if its classification was changed, must meet the Corporate Governance Principles applicable to its new category as at the date of its first general assembly of shareholders to be convened after the announcement of the CMB's reclassification decision in the CMB's bulletin. Following the Offering and the reclassification, we expect the Company to be classified as a Tier 2 company.

The mandatory principles under the Corporate Governance Principles for public companies relate to matters such as (i) the composition of the board of directors; (ii) appointment of independent members to the board of directors; (iii) board committees; (iv) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué; and (v) shareholder information rights in connection with general assemblies of shareholders.

All Tier 1 and Tier 2 companies are required to have a number of independent members on the board of directors equal to at least one-third of the total number of members on the board of directors. However, such companies can apply for the CMB to limit the number of independent members on the board of directors to two, irrespective of the market value of the company's free-float shares, as long as at least 51.0% of their share capital is equally owned by two independent shareholders contractually sharing equal management control, but having no direct or indirect shareholding, management or audit relationship among themselves.

Tier 3 companies do not have to satisfy the one-third ratio, although they are required to have at least two independent members on the board of directors. The Corporate Governance Communiqué further states that companies undergoing an initial public offering may appoint two independent members to the board of directors, regardless of their expected market capitalization and market value of free-float shares. Once the CMB announces its list setting forth the tiers of companies for the upcoming year, such companies must appoint the requisite number of independent members to their boards of directors at their upcoming general assemblies of shareholders depending on which tier they are subject to in such list.

A company undergoing an initial public offering and a listing on Borsa Istanbul would initially be qualified as a Tier 3 company and, accordingly, would have to appoint at least two independent members to the board of directors until its first general assembly of shareholders following its initial public offering. Once the CMB's reclassification decision is announced in January 2018, we expect our Company to be classified as a Tier 2 company. If any of our members of the Board of Directors that we classify as independent, does not satisfy the requirements for independence as defined in the applicable Turkish capital markets regulations, the CMB may require another independent member to be appointed to the Board of Directors within a certain time period.

The Corporate Governance Communiqué introduced a pre-assessment process to determine the "independence" of individuals nominated as independent members to the board of directors of Tier 1 companies. Those nominated for such positions must be evaluated by the nomination committee of the board of directors of such companies against the applicable criteria stated in the Corporate Governance Communiqué. The board of directors is required to prepare a list of nominees based on this evaluation for final review by the CMB, which is authorized to issue a "negative view" on any nominee and prevent his/her appointment as an independent member of the board of directors. Tier 2 and Tier 3 public companies are not required to go through the CMB's pre-assessment process for the appointment of independent members to the board of directors, although the nominations must still be evaluated by the nomination committee of the board of directors of such companies. The Corporate Governance Communiqué also requires companies listed on Borsa Istanbul to establish certain other board committees, such as an audit committee, corporate governance committee and early risk detection committee. See "*—Board Committees*" below.

The CMB requires independent members of the board of directors to have the ability to execute their duties without being influenced by any other circumstances. According to the Corporate Governance Principles, to qualify as an independent member of the board of directors:

- at any time during the past five years, (i) no direct or indirect employment relationship in a management position undertaking important duties and responsibilities should have taken place; (ii) no important commercial relationship should have taken place; or (iii) no ownership (directly or indirectly above 5.0%) of equity, privileged equity or voting rights should exist between the independent member of the board of directors, his/her spouse or his/her relatives (up to second degree relatives), on the one hand, and the public company, a related party of the public company or a legal entity/shareholder possessing control of the public company, on the other hand;
- at any time during the past five years, the independent member of the board of directors should not have been a shareholder (holding 5.0% or more shares), an employee in a management position or a member of the board of directors in any entity providing or purchasing a significant level of goods and services to or from the public company within the framework of an agreement, most notably companies providing audit, rating and consultancy services;
- the independent member of the board of directors must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position;
- the independent member of the board of directors should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at a university who is allowed to act as an independent member of the board of directors according to the applicable legislation;
- the independent member of the board of directors should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the public company's activities, maintain his/her independence regarding any conflict of interest between the public company and the public company's shareholders and make decisions taking the rights of shareholders into consideration;
- the independent member of the board of directors should be in a position to spend sufficient time on the public company matters to be able to effectively oversee the activities of the public company and fully perform his/her duties as an independent member of the board of directors;

- the independent member of the board of directors should not have served on the company's board of directors for more than six years within any given consecutive ten-year period;
- the independent member of the board of directors should not serve as an independent member of the board of directors for more than three companies controlled by the same person, company or any legal entity controlled by the same shareholders controlling the company and for more than five listed companies; and
- the independent member of the board of directors should not be registered or announced as the representative of a legal entity director.

The Corporate Governance Principles further require that at least half of the independent members of the board of directors of a public company should be resident in Turkey. Residency is determined in accordance with the Income Tax Law no. 193. For more information on resident persons under Turkish income tax laws, see "*Taxation—Turkish Taxation*."

Members of the board of directors can be either natural persons or legal entities and are not required to own shares to serve on the board of directors. For a legal entity to serve as a member of the board of directors, it must appoint a natural person to exercise rights and duties on its behalf as a member of the board of directors.

Members of the board of directors cannot attend negotiations or vote on matters in which such members of the board of directors themselves, their spouses or their relatives (up to and including third degree relatives) have an interest or if their attendance would otherwise be contrary to objective principles of good faith. According to the TCC, members of the board of directors cannot enter into commercial relationships with the company or engage in any competing activities, unless permitted by the general assembly of shareholders. The Corporate Governance Communiqué further requires the board of directors to provide information to the general assembly of shareholders regarding any transaction that is entered into by the members of the board of directors, their spouses or their relatives (up to second degree relatives), which may result in a conflict of interest for, or compete with, the company or its subsidiaries.

In addition to the mandatory Corporate Governance Principles regarding the composition of the board of directors and the independent members of the board of directors, the Corporate Governance Communiqué introduced specific corporate approval requirements for all related party transactions, transactions creating any guarantee, pledge or mortgage in favor of third parties, transactions that may result in a conflict of interest with the company or its subsidiaries and certain other transactions deemed material by the Corporate Governance Communiqué. The Corporate Governance Communiqué imposes certain requirements to be observed by companies in relation to such transactions depending on the magnitude and the scope of the transaction, such as preparation of a valuation report and/or approval by the majority of independent members of the board of directors. If a related party transaction is not approved by the majority of the independent members of the board of directors in a meeting of the board of directors, then, upon disclosure of their grounds for objection on the Public Disclosure Platform, such transaction must be presented to the general assembly of shareholders for approval. See "*Related Party Transactions*."

Board Committees

Our articles of association require the formation of committees to assist the Board of Directors in fulfilment of their duties, although the Board of Directors retains final decision making authority. In line with the Corporate Governance Principles, our Board of Directors established the following board committees with its resolution no. 2017/28 on May 24, 2017 and International Operations Advisory Board with its resolution no. 2017/26 on May 16, 2017. Any amendment regarding the working principles of the board committees is subject to approval by the General Assembly.

Audit Committee

Our audit committee (the "**Audit Committee**") has been formed to assist the Board of Directors in ensuring the proper operation and efficiency of our accounting and internal control systems and implementations as well as the audit and public disclosure of our financial information. The duties of the Audit Committee also include selection of the independent auditor for approval by the Board of Directors, overseeing the independent audit process and monitoring the work of the independent auditor, compliance with the regulations, preparing, reviewing and updating (when necessary) ethical values and sharing information with the other board committees. Further, the Audit Committee is authorized to ensure that the related party transactions are conducted in accordance our related party transactions policy. The Audit Committee's responsibilities under our related party transactions policy are, among others, (i) to convene extraordinarily and review the available terms and conditions and provide a report to the Board of Directors, on each one-off related party transactions, (ii) if the Corporate Governance Communiqué or other applicable rules and regulations require preparation of an independent valuation report, to procure that such independent valuation report is obtained and references to such independent valuation report is included in the Audit Committee's report, (iii) on its quarterly meeting that will be held following the announcement of the relevant quarterly financials, to review each single related party transaction conducted during the relevant quarter under annual authorization (*i.e.* the framework Board of Directors resolution) of the relevant continuous related party transactions and (iv) following its annual review, to provide a report to the Board of Directors regarding the related party transactions, which will be incorporated to the our annual activity report. The Audit Committee is also responsible for submitting written evaluations to the Board of Directors to ensure the authenticity of our annual and interim financial statements and compliance with our accounting policies. The Audit Committee is to convene at least once every three months and at least four times a year (except extraordinary meetings with respect to related party transactions) and to submit the minutes from its meetings to the Board of Directors.

The Audit Committee convenes and takes decisions with the majority of its members. The Audit Committee members are to be determined in the first Board of Directors meeting following that relevant year's ordinary General Assembly meeting at the latest. The Audit Committee must be composed of at least two members, and the members of the Audit Committee must be appointed from among the independent members of the Board of Directors.

Our Audit Committee was established on May 24, 2017. However, as of the date of this offering circular, we have not appointed any members to our Audit Committee and it is not yet operational. We plan to appoint members to our Audit Committee once the post-Offering composition of our Board of Directors is registered. See "*Management—Board of Directors—Post-Offering Composition*."

Corporate Governance Committee

Our corporate governance committee (the "**Corporate Governance Committee**") has been formed to assist the Board of Directors in ensuring compliance with the Corporate Governance Principles, including investigations into failure to comply with the Corporate Governance Principles and determination of conflicts of interest. The Corporate Governance Committee also oversees investor relations and performs the tasks usually allocated to a nomination and remuneration committee, as required and permitted by the Corporate Governance Communiqué.

Within this framework, the Corporate Governance Committee is responsible for, among other things, (i) preparing proposals for the appointment of members to the Board of Directors, (ii) ensuring the efficiency and independence of the Board of Directors in accordance with Corporate Governance Principles, (iii) ensuring the acknowledgement and implementation of the Corporate Governance Principles within the Board of Directors and our Company, (v) conducting an annual corporate governance management evaluation and submitting the results to the Board of Directors, (vi) making proposals in relation to the functionality of the Board of Directors and its committees, (vii) overseeing the investor relations department, (viii) determining principles and procedures for valuation of fees and performance awards for directors and senior executives, (ix) making proposals to the Board of Directors in relation to the fees and performance awards for directors and senior executives, (x) reviewing complaints, and (xi) reporting its work and proposals to the Board of Directors.

The Corporate Governance Committee is to convene when necessary in light of its duties and responsibilities.

The Corporate Governance Committee convenes and takes decisions with the majority of its members. The Corporate Governance Committee members are to be determined in the first Board of Directors meeting following that relevant year's ordinary General Assembly at the latest. The Corporate Governance Committee is composed of at least three members, who can be members of the Board of Directors or persons who are not members of the Board of Directors, but have expertise in their respective fields (except for the chairman of the Corporate Governance Committee). The chairman of the Corporate Governance Committee is appointed from among the independent members of the Board of Directors.

The majority of the Corporate Governance Committee members must be appointed from among the non-executive board members. In case there are only two members, both of them must be appointed from among non-executive board members.

Our Corporate Governance Committee was established on May 24, 2017. However, as of the date of this offering circular, we have not appointed any members to our Corporate Governance Committee and it is not yet operational. We plan to appoint members to our Corporate Governance Committee once the post-Offering composition of our Board of Directors is registered. See "*Management—Board of Directors—Post-Offering Composition*."

Early Risk Detection Committee

Our early risk detection committee (the "**Early Risk Detection Committee**") has been formed to assist the Board of Directors with the preliminary identification of events that endanger the existence, development and continuity of our Company, the implementation of appropriate risk management strategies and the establishment of an expert committee for risk management. The Early Risk Detection Committee is responsible for, among other things, (i) determining existing and potential operational, strategic and other risks and preparing recommendations for relevant precautions to be taken in connection with such risks, (ii) establishing risk management systems and preparing recommendations for the establishment of organizational infrastructure within our Company to attain the functionality and enhancement of such systems, (iii) proposing solutions addressing risks to the Board of Directors and the Audit Committee, (iv) preparing and submitting annual evaluation reports with respect to meeting frequency, committee members and efficiency of the Early Risk Detection Committee to the Board of Directors, (v) reviewing the risk management systems at least once a year, (vi) submitting a report including its status evaluation and proposals to the Board of Directors every two months, and (vii) ensuring the integration of risk management and internal control systems into our Company structure.

The Early Risk Detection Committee is to convene when necessary in light of its duties and responsibilities.

The Early Risk Detection Committee members are determined in the first Board of Directors meeting following that relevant year's ordinary general assembly meeting at the latest. The Early Risk Detection Committee must be composed of at least two members, who can be members of the Board of Directors or persons who are not members of the Board of Directors having expertise in their respective fields (except for the chairman of the Corporate Governance Committee). The chairman of the Early Risk Detection Committee is appointed from among the independent members of the Board of Directors. The majority of the Early Risk Detection Committee members are appointed from among the non-executive board members. In case there are only two members, both of them are appointed from among non-executive board members.

Our Early Risk Detection Committee was established on May 24, 2017. However, as of the date of this offering circular, we have not appointed any members to our Early Risk Detection Committee and it is not yet operational. We plan to appoint members to our Early Risk Detection Committee once the post-Offering composition of our Board of Directors is registered. See "*Management—Board of Directors—Post-Offering Composition*."

International Operations Advisory Board

The International Operations Advisory Board ("**Advisory Board**") must consist of at least five members. These members may be appointed from our employees, board members and any other third parties. The current members of the Advisory Board are Ragıp Ersin Akarlılar (chairman), Fatma Elif Akarlılar, Ahmet Cüneyt Yavuz, Adriano Goldschmied and Fabian Mansson. The Advisory Board is responsible for, among other things, (i) tracking developments in international apparel sector and new fashion trends and making proposals to the Board of Directors; (ii)tracking growth strategies in countries other than Turkey and making proposals to the Board of Directors; (iii) conducting a general evaluation of feedback coming from customers, tracking changes in customer demands and needs and making proposals to the Board of Directors; (iv) monitoring our Company's social media accounts' impact on customers and making proposals to the Board of Directors; (v) following innovative corporate social responsibility projects and making proposals to the Board of Directors.

Policies

The Board of Directors approved policies with respect to dividends, remuneration, donation, and disclosures with its resolution no. 2017/28 on May 24, 2017, and related party transactions with its resolution no. 2017/15 on April 13, 2017, as required under the Corporate Governance Principles.

Dividend Policy

See "*Dividends* and *Dividend Policy—Dividend Policy*."

Remuneration Policy

The purpose of our remuneration policy is to determine the remuneration of the Board of Directors and our senior management in accordance with our future short term and long term targets and ongoing performance.

Our Corporate Governance Committee reviews this policy and reports to the Board of Directors, including its recommendations on remuneration.

Base compensation of the members of the Board of Directors is determined by taking into consideration the recommendations of the Corporate Governance Committee and is subject to the approval of the General Assembly, while the senior management members' base compensation is subject to approval of the Board of Directors. All the compensation is decided in accordance with our ethical values and strategic targets. We also make bonus payments. The purpose of bonus payments is to increase senior management members' efficiency, ensure their performance sustainability, determine successful senior management members and to award senior management members who are creating added value for our Company. We will not guarantee the amount of performance-based bonuses in advance.

All the compensation, bonuses and other personal benefits are deemed confidential. We will not lend money or make any loan to the board members and senior management members or grant security, pledge or guarantee to secure their obligations.

The Board of Directors will be responsible for the implementation, development and monitoring of the remuneration policy.

Disclosure Policy

The main purpose of the disclosure policy is to ensure that all material information relating to the Company that does not constitute commercial secrets or confidential information is disclosed to the public in an accurate, fair, timely, easily accessible and understandable manner. We undertake to disclose all material information that does not constitute commercial secrets or confidential information, including our financial statements and activity reports, to the extent required by the relevant CMB regulations through the Public Disclosure Platform.

We will also use various means of communication, including our website (www.mavi.com), telephone, e-mail, teleconference, fax and social media, for disclosure as well as face-to-face meetings to be held with investors.

Disclosures will be made by our investor relations department on the Public Disclosure Platform. Our investor relations department will respond to information requests submitted by shareholders, investors and analysts within the publicly disclosed information. We may also make forward-looking statements regarding the future performance of our Company in accordance with applicable capital markets regulations.

The disclosure policy has been approved by the Board of Directors and the Board of Directors will be responsible for the monitoring, supervision and development of the disclosure policy.

Donation Policy

Pursuant to our donation policy, our Company may make any and all kinds of donations which will not disrupt our business, provided such donations are not in violation of applicable laws and are submitted for the General Assembly's information. Donations can be made in-kind and in-cash. The maximum limit of donations that may be made within one financial year is determined by the General Assembly. We may make donations to all institutions and persons including non-governmental organizations, universities, public and private institutions, charitable foundations and associations.

Related Party Transactions Policy

Our related party transactions policy introduces specific pre-approval and post-transaction review procedures that are stricter than the protections set forth under Turkish capital markets and tax regulations, including transfer pricing regulations, when transacting with our related parties. Under our related party transactions policy, related party transactions are categorized as (i) one-off transactions, and (ii) continuous related party transactions. Each one-off related party transaction exceeding 1.0% of the gross revenue under the preceding year's income statement or the total assets in the preceding year's balance sheet (whichever applicable for the specific one-off related party transaction) is subject to the Board of Directors' approval. The Board of Directors can only approve one-off transactions exceeding 1.0% of the gross revenue under the preceding year's consolidated income statement or the total assets in the preceding year's consolidated balance sheet (whichever is applicable for the specific one-off related party transaction), provided that (i) the Audit Committee submits a report with respect to such one-off related party transaction evaluating the arm's length nature of the transaction; and (ii) the majority of the independent members of the Board of Directors approve the transaction. If there are two independent members, both of the independent members must approve the relevant one-off related party transaction. In the absence of approval of independent members, the General Assembly's approval will be required.

On the other hand, the Board of Directors is required to adopt a framework Board of Directors resolution, regarding each continuous related party transaction in order to authorize and define the terms and conditions of each continuous related party transaction at the beginning of each fiscal period. No materiality threshold will be applied for the continuous related party transactions. A framework Board of Directors resolution on each continuous related party transaction which, if at the time of such resolution is available, will include among others:

- The parties of the contemplated transactions;
- The expected volume (in TL) of such transaction based on annual budget and business plan;
- The material terms and conditions governing such continuous related party transaction; and
- The methodology and internal procedures to be followed to ensure that the transaction is competitive and conducted on an arms-length basis (such as benchmarking to other potential suppliers).

Affirmative votes of all independent members are required for the approval of such a framework Board of Directors' resolution. The General Assembly's approval on the framework Board of Directors' resolution is required, if the quorum regarding approval by the independent members is not met.

The Audit Committee in each quarterly meeting held following the announcement of the relevant quarterly financials, will review related party transactions conducted during the relevant quarter under annual authorization (i.e. the framework Board of Directors' resolution) of the relevant continuous related party transactions.

The Board of Directors' resolutions pertaining to the related party transactions shall be treated as "inside information" (*içsel bilgi*) and be disclosed in accordance with applicable requirements of the capital markets regulations. The Audit Committee, following its annual review of the related party transactions, will provide a report to the Board of Directors, which will be incorporated to the Company's annual activity report.

Anti-Bribery and Anti-Corruption Policy

The main purpose of the Anti-Bribery and Anti-Corruption Policy is to prevent corruption and bribery and to promote the importance of compliance with the anti-corruption regulations of all countries in which Mavi operates. The Anti-Bribery and Anti-Corruption Policy applies to all of our employees and executives working in Turkey and abroad and the relevant third parties (including their employees) that we work with such as suppliers and consultants and some of our franchisees (i.e., franchisees with sales exceeding TL 10 million for the year 2017). We will procure compliance with the Anti-Bribery and Anti-Corruption Policy by, to the extent practicable, adopting compliance provisions in the agreements (such as termination rights) that we execute with such parties or taking commitments regarding compliance from such parties. Our ethics committee is responsible for pursuing compliance with the Anti-Bribery and Anti-Corruption Policy. The Anti-Bribery and Anti-Corruption Policy also provides that we will seek to comply with Turkish, U.S., United Kingdom and European Union economic sanctions laws and regulations to the extent applicable. We intend to implement and maintain all necessary procedures and mechanisms to ensure such compliance. Additionally, the Anti-Bribery and Anti-Corruption Policy encourages our employees to report misconduct within Mavi. The Anti-Bribery and Anti-Corruption Policy provides detailed guidance on how to interact with public officials and other relevant third parties to avoid any compliance related risks and on the training and internal communication procedures that apply to our employees and executives and our foreign subsidiaries' executives. It also provides for the process of providing gifts and entertainment to third parties by our employees and sets out gifts and hospitality limits.

Investor Relations

Public companies in Turkey must establish an investor relations department, whose obligations include protecting the rights of shareholders and coordinating communication with shareholders. The investor relations department reports directly to the Board of Directors and has the following duties:

- keeping secure and updated records of each shareholder;
- responding to inquiries from shareholders to the extent that such inquiries do not relate to matters that could be classified as commercial secrets or non-public or confidential information;
- ensuring that general assemblies of shareholders are convened in accordance with applicable laws, the articles of association and other internal regulations of the company;
- preparing relevant documents that may be submitted to shareholders for review prior to any general assembly of shareholders and distributed to shareholders at general assembly of shareholders;
- recording the results of voting at any general assembly of shareholders and sending reports regarding such results to the shareholders; and
- monitoring the public disclosure policies of the company and compliance therewith.

PRINCIPAL AND SELLING SHAREHOLDER

As of the date of this offering circular, the Akarlılar Family indirectly holds 46% and Turkish Private Equity Fund II ("**TPEF II**"), indirectly holds 54% of our issued share capital. Our principal beneficial shareholders hold their shares of Mavi indirectly through Blue International Holding B.V. (the "**Selling Shareholder**"), a limited-liability company incorporated under the laws of the Netherlands with its registered address at Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam, the Netherlands.

The following table shows the ownership of our shares as of the date of this offering circular (i) on an actual basis and (ii) as adjusted to reflect the Offering:

		Actual		As Adjusted			
	Share Class[1]	Number	(%)	Number[2]	(%)[2]	Number[3]	(%)[3]
Blue International Holding B.V.	B	49,657,000	100.0	3,562,350	7.17	—	—
Blue International Holding B.V.	A	—	—	22,345,650	45.00	22,345,650	45.00
Free float	B	—	—	23,749,000	47.83	27,311,350	55.0
Total		**49,657,000**	**100.0**	**49,657,000**	**100.00**	**49,657,000**	**100.00**

1) For a description of our share classes, see "*Description of Our Share Capital—Share Classes.*"
2) Assumes placement of all Offer Shares except the Additional Shares.
3) Assumes placement of all Offer Shares including the Additional Shares.

The following table shows the ownership of Blue International Holding B.V.:

	(Euro)	(%)
Blue International Holding Cöoperatie U.A.[1]	97.20	54.0
MYN Ventures N.V.[2]	82.80	46.0
Total	**180.00**	**100.0**

1) Fully owned by Turkish Private Equity Fund II, advised by Turk Ventures Adv. Ltd.
2) Fully owned by Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar, each holding 33.3% of the outstanding issued capital.

Post-Offering Control

The net proceeds to be received by the Selling Shareholder from the Offering are contemplated to be shared between TPEF II (through Blue International Holding Cöoperatie U.A.) and the Akarlılar Family (through MYN Ventures N.V.), resulting in a restructuring of the Selling Shareholder. Assuming all Offer Shares are sold, and depending on the final offer price to be determined within the offer price range, it is expected that this restructuring will give the Akarlılar Family indirect ownership of the majority of the shares of the Selling Shareholder. This majority may be up to 70.0% of the Selling Shareholder's share capital. Through its control of the Selling Shareholder, the Akarlılar Family will control the vote of all Class A Shares of Mavi and will effectively own between 22.5% and 31.5% of Mavi's issued share capital.

Pursuant to the agreement governing the relationship between the shareholders of the Selling Shareholder, the Akarlılar Family will be entitled to nominate two of the three directors appointed by the holders of Class A Shares and TPEF II will be entitled to nominate the remaining director. In addition, through its control of the vote of Class A Shares (which will represent 45.0% of Mavi's issued share capital after the Offering, assuming all Offer Shares are sold), the Akarlılar Family will in practice have significant influence over all matters presented to the General Assembly and will have certain veto rights with respect to extraordinary corporate actions. See "*Risk Factors—Risks Related to Our Industry and Business—After the Offering, some of our existing beneficial owners will continue to exercise effective control over Mavi. Their interests may not be aligned with our interests or those of other shareholders*."

As a result of the restructuring of the Selling Shareholder, Arif Kerem Onursal and Hatice Hale Özsoy Bıyıklı will resign from our Board of Directors, and two independent directors will replace them. See "*Management—Board of Directors–Composition*" for a discussion of the independent directors expected to be appointed. The restructuring and the changes to Mavi's Board of Directors are expected to be completed as soon as practicable, which will likely be within 30 days after the closing of the Offering. All material updates relating to the restructuring and the resignation and appointment of members of Mavi's Board of Directors will be disclosed through the Public Disclosure Platform.

RELATED PARTY TRANSACTIONS

Introduction

As at the date of this offering circular, the Selling Shareholder directly holds 100% of our share capital. Through their ownership in the Selling Shareholder, TPEF II beneficially owns 54% of our outstanding share capital and the Akarlılar Family beneficially owns 46% of our outstanding share capital. See "*Principal and Selling Shareholder*."

Assuming all Offer Shares and Additional Shares are sold, and depending on the final offer price to be determined within the offer price range, it is expected that a restructuring of the Selling Shareholder after the Offering will give the Akarlılar Family indirect ownership of a majority of the shares of the Selling Shareholder. This majority may be up to 70.0% of the Selling Shareholder's share capital. Through its control of the Selling Shareholder, the Akarlılar Family will control the vote of all Class A Shares of Mavi and will effectively own between 22.5% and 31.5% of Mavi's issued share capital. See "*Risk Factors—Risks Related to Our Industry and Business—After the Offering, some of our existing beneficial owners will continue to exercise effective control over Mavi. Their interests may not be aligned with our interests or those of other shareholders.*"

The CMB is authorized to impose sanctions on publicly traded companies if the transactions they conclude with related parties are not on an arm's length basis. In addition to the sanctions that may be imposed by the CMB on related party transactions, Turkish tax regulations also impose certain sanctions on related party transactions, which are governed by transfer pricing and disguised profit distribution rules. Pursuant to the Corporate Governance Communiqué, the affirmative votes of the majority of the independent board members are required for board resolutions in connection with related party transaction with a significant amount. In any case, the independent board members may refrain from voting for a transaction to be entered into with a related party. CMB regulations applicable to us and the Corporate Governance Communiqué also provide certain provisions with respect to related party transactions. See "*Corporate Governance*."

Related Party Transactions Policy

Our Board of Directors adopted a related party transactions policy on April 13, 2017, which governs how we will transact with related parties (as defined therein). Historically, as a private company we have not had such a policy but sought to transact with related parties on an arm's length basis. See "*Corporate Governance—Policies—Related Party Transactions Policy*."

Product Purchases from Erak and Akay

Erak (together with its subsidiary Akay) is controlled by our founder, Sait Akarlılar, who is closely related to the Akarlılar Family. Hayriye Fethiye Akarlılar, who is an indirect shareholder of Mavi, indirectly owns a 20% stake in Erak. In Fiscal Year 2016, we procured 81% of our denim products and 41.8% of our total products through Erak and Akay. We expect to continue procuring products from Erak at a similar level in future. We require Erak to maintain certain stocks of denim fabric in its warehouses to ensure that it is able to respond to our production needs quickly. To assist Erak in maintaining these stocks, we provide vendor financing of these raw materials through a running account. The advance provided account is adjusted monthly, at its highest point and during Fiscal Year 2016, it amounted to TL 16 million. We record these amounts on our consolidated statement of financial position as short-term prepayments. This arrangement has developed as a business practice and is not provided in our written agreement with Erak. See "*Risk Factors—Risks Related to Our Industry and Business—We rely to a significant extent on specific suppliers. An interruption or cessation of their services could harm our operations.*"

Eflatun Acquisition

On August 12, 2016, we acquired 51% of the share capital and voting rights of Eflatun, which holds the entire share capital of Mavi USA and 75% of the share capital Mavi Canada from Ragıp Ersin Akarlılar, Fatma Elif Akarlılar and Seyhan Akarlılar. Following the acquisition Mavi USA and Mavi Canada became our consolidated subsidiaries starting from September 1, 2016.

For the acquisition of 51% of the share capital of Eflatun, we have paid an initial payment of $5,750,000 (equivalent of TL 16,807,250 at the time of acquisition) and we incurred a contingent consideration for the potential additional payment with respect to acquisition of Eflatun's shares.

We included $8,587,458 (equivalent of TL 25,371,643 at the time of acquisition) as the contingent consideration in our financial statements for Fiscal Year 2016 related to the additional consideration, which represents its fair value at the date of acquisition. In May 2017 we paid $9,352,370 as the contingent consideration and the sellers may be eligible to receive an exit adjustment payment up to a maximum of $13,000,000 depending on the EBITDA multiplier in the Offering. See, "*Condensed Combined Pro Forma Financial Information—Acquisition of Mavi USA and Mavi Canada.*"

We have a call option, which will become effective as of February 1, 2018 for a period of three years, to acquire the remaining shares of Fatma Elif Akarlılar and Seyhan Akarlılar in Eflatun amounting to 49% of Eflatun's capital. We can exercise this call option only once and only for all remaining shares, and only during the month of May of any year in which the option is in effect. Fatma Elif Akarlılar and Seyhan Akarlılar on the other hand, have a put option, which will become effective as of February 1, 2018 for a period of three years, with respect to the same shares. Fatma Elif Akarlılar and Seyhan Akarlılar can exercise this put option only during the month of May of any year in which the option is in effect. Contrary to us, Fatma Elif Akarlılar and Seyhan Akarlılar can exercise the put option in several tranches for any percentage of remaining shares. If we exercise our call option, or if Fatma Elif Akarlılar and Seyhan Akarlılar exercise their put option in full, we will be the sole shareholder of Eflatun. For a description of the financial terms of the put and call options, see "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Contractual Commitments*."

Option Rights

See, "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Contractual Commitments—Option Rights*."

Past Related Party Transactions with Mavi USA and Mavi Canada

We, as the service provider, have entered into a service agreement with Mavi Canada on February 1, 2012, whereby we provide sourcing, design and similar services to Mavi Canada. Payment under the agreement is by way of commission of 3% of the value of the goods and services provided. We invoice design services provided to Mavi Canada with a 5% mark-up on the costs incurred by design and graphic departments with respect to products sold to Mavi Canada. The agreement is automatically renewed for successive one-year periods after the initial term, unless otherwise terminated.

We entered into a five-year service agreement with Mavi USA on February 1, 2012, whereby we provide sourcing, design and similar services to Mavi USA. Payment under the agreement is by way of commission of 3% of the value of the goods and services provided. We invoice design services provided to Mavi Canada with a 5% mark-up on the costs incurred by design and graphic departments with respect to products sold to Mavi Canada. The agreement is automatically renewed for successive one-year periods after the initial term, unless otherwise terminated.

Management Services Provided by Related Parties to Mavi Canada

Mavi Canada pays fees to Kitsch Apparel Inc. ("**Kitsch**"), owned by Arkun Durmaz, and paid fees to Ragıp Ersin Akarlılar, until the end of Fiscal Year 2016, amounting to 4% and 1%, respectively, of net sales (as defined in the management fee agreement) for management services. Fees paid under these agreements during Fiscal Year 2016 and Fiscal Year 2015 amounted to $678,248 and $649,069, respectively, to Kitsch and $169,562 and $138,024, respectively, to Ragıp Ersin Akarlılar.

As at the date of this offering circular we are in a negotiation process with respect to our potential acquisition of Kitsch's 25.0% share in Mavi Canada.

Other Related Party Transactions

Mavi USA provided a $1,056 thousand loan with an interest rate of 4.0% to Mavi LLC, an unconsolidated related party. Mavi LLC is a U.S. company owned by a member of our Board of Directors, Ragıp Ersin Akarlılar.

As of the date of this offering circular, we have provided the following sureties in favor of our subsidiaries:

Related Party	Term	Amount
Mavi Europe	September 7, 2018	€1,750,000
Mavi Europe	Indefinite	€94,074
Mavi USA	December 1, 2017	$5,676,000
Mavi USA	May 30, 2017	$6,000,000
Mavi USA	May 29, 2017	€3,500,000
Mavi Netherlands	July 23, 2018	€660,000
Mavi Canada	December 28, 2018	$6,000,000
Mavi Russia	October 15, 2017	RUB13,960,037

Our receivables from and payables to related parties, product sales to related parties and services provided to our related parties are as follows:

	Fiscal Year End		
	2014	2015	2016
		(thousand TL)	
Trade receivables due from related parties			
Mavi LLC	—	—	4,049
Erak	—	—	11
Mavi USA	585	1,308	—
Mavi Canada	266	422	—
Eflatun	6	1	—
Trade receivables due from related parties total	**857**	**1,730**	**4,059**
Pre-payments given to related parties			
Erak	9,190	11,471	11,983
Pre-payments given to related parties total	**9,190**	**11,471**	**11,983**
Trade payables due to related parties			
Erak	48,954	48,019	93,185
Akay	—	—	14,978
Kitsch Apparel Inc.[1]	—	—	447
Erma Tekstil Dış Ticaret Kollektif Şirketi[2]	35	—	129
Trade payables due to related parties total	**48,989**	**48,019**	**108,740**
Other payables[3]			
Fatma Elif Akarlılar	—	—	14,122
Seyhan Akarlılar	—	—	14,121
Ragıp Ersin Akarlılar	—	—	5,005
Put option	6,849	8,073	10,246
Other payables total	**6,849**	**8,073**	**43,494**
Sales			
Mavi USA	458	1,384	425
Mavi Canada	568	898	401
Sales total	**1,026**	**2,283**	**826**
Services provided			
Mavi USA	966	1,494	735
Mavi Canada	946	1,096	787
Mavi LLC	—	—	112
Eflatun	6	6	6
Services provided total	**1,918**	**2,596**	**1,640**
Other sales to related parties			
Ragıp Ersin Akarlılar[4]	—	—	167
Other sales to related parties total	**—**	**—**	**167**
Other purchases from related parties			
Side Trail Corporation N.V.[5]	—	—	923
Other purchases from related parties total	**—**	**—**	**923**
Purchases			
Erak	215,315	239,776	269,778
Akay	—	—	4,292
Purchases total	**215,315**	**239,776**	**274,070**
Services procured			
Erak	763	784	970
CM Objekt Heusenstamm GBR[6]	486	505	568
Sylvia House Inc.[7]	—	—	174
Mavi Jeans Holding Inc[8]	—	—	244
Erma Tekstil Dış Ticaret Kollektif Şirketi[2]	20	6	40
Services procured total	**1,269**	**1,294**	**1,997**

(1) Kitsch holds a 25.0% stake in Mavi Canada; the remaining 75.0% is owned by Eflatun. See "*Business—Corporate Structure.*" Kitsch is owned by an individual who is not related to the Akarlılar Family. We pay Kitsch a management fee based on the revenue generated by Mavi Canada, as described in "*—Management Services Provided by Related Parties to Mavi Canada.*" This amount relates to the management fee owned to Kitsch at period end as a non-interest bearing payable.

(2) Erma Tekstil Dış Ticaret Kollektif Şirketi ("**Erma**") is 95.0% owned by Sait Akarlılar. Amounts due to Erma are the commissions paid related to the agency services rendered by Erma due to the delivery of products to Company's mono-brand retail stores located in tax free zone area in Atatürk Airport of Istanbul.

(3) Other payables to Fatma Elif Akarlılar, Seyhan Akarlılar and Ragıp Ersin Akarlılar relate to the contingent payables arising from the acquisition of Eflatun, which were paid in May 2017 in an amount of $9,352,370. See "*Management's Discussions and Analysis of Results of Operations and Financial Condition—Contractual Commitments*", "*—Eflatun Acquisition*" and Note 4 to the Financial Statements.

(4) The transaction is related to a one-off vehicle sale to Ragıp Ersin Akarlılar.

(5) Side Trail Corporation N.V. ("**Side Trail**") is fully owned by Hayriye Fethiye Akarlılar and historically was the owner of Mavi—related trademarks in countries where we do not have a subsidiary. In 2016, we purchased these trademarks from Side Trail for a consideration of $250,000. See "*Business—Intellectual Property—International Trademarks.*"

(6) CM Objekt Heusenstamm GBR ("**CM**") is owned by the minority shareholders of Mavi Europe. See "*Business—Corporate Structure.*" We rent our office space in Germany from CM.

(7) Sylvia House Inc. is owned by the owner of Kitsch. We rent a store space in Vancouver, Canada from Sylvia House Inc.

(8) Mavi Jeans Holding Inc. is owned by the owner of Kitsch and Ragıp Ersin Akarlılar. We rent our office space and warehouse in Canada from Mavi Jeans Holding Inc.

The following table provides information on the percentage of our sales to the related parties in our total net sales:

	Fiscal Year		
	2014	**2015**	**2016**
	(%)	*(%)*	*(%)*
Mavi USA	0.05	0.13	0.03
Mavi Canada	0.06	0.09	0.03
Total	0.11	0.22	0.06

DESCRIPTION OF OUR SHARE CAPITAL

The following is a description of the rights attaching to our shares, which rights are derived from the TCC, the Capital Markets Law, CMB regulations and our articles of association.

Overview

The current issued share capital of the Company is TL 49,657,000 and is divided into 49,657,000 shares. The share capital includes 22,345,650 Class A Shares and 27,311,350 Class B Shares, each with a nominal value of TL 1.00, all of which are in registered form, fully paid and issued in accordance with the TCC.

Following the approval of the CMB decision no. 29833736-110.03.01-E.2926 dated March 6, 2017 at the General Assembly dated March 22, 2017, we adopted the authorized share capital system, which allows companies to increase their share capital through a board resolution within the authorized share capital limit without any amendment to the articles of association or any general assembly of shareholders resolution adopted for that purpose.

Our authorized share capital limit is TL 245,000,000, and our board of directors is authorized to issue new shares up to this limit without the approval of the General Assembly. Within this authorized share capital limit, our Board of Directors is also authorized to issue new shares at a premium to their nominal value of TL 1.00 per share, or, under certain circumstances, issue shares at a price below the nominal value of TL 1.00 per share. The Board of Directors is also authorized to restrict the pre-emption rights of our shareholders (including Class A shareholders) in connection with such new share issuances.

The CMB's approval of the current authorized share capital system is valid for the period between 2017 and 2021 (a term of five years). Following the expiration of this five-year period, the General Assembly may resolve, subject to the CMB's approval, to extend this period for another term of five years.

There was no change to the issued and outstanding share capital of the Company during Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016.

Share Classes

Pursuant to our articles of association, our current issued share capital is divided into two share classes, namely:

- Class A Shares representing 45.0% of our issued share capital, which are non-listed, registered and privileged shares, and
- Class B Shares representing 55.0% of our issued share capital, which will all be registered and ordinary shares.

Following the Offering, assuming all Offer Shares are sold, all of our Class A Shares will be owned by the Selling Shareholder, and all of our Class B Shares will be listed and trading on Borsa Istanbul. See "*Principal and Selling Shareholder.*"

Privileges of Class A Shares

Holders of both Class A Shares and Class B Shares are entitled to one vote per Share on all matters submitted to a vote of our shareholders. In addition all Shares have equal dividend rights. However, Class A Shares have additional rights with respect to the nomination of candidates for the Board of Directors and have certain veto rights on extraordinary corporate actions. Class B Shares are ordinary shares and are not granted any privileges.

Board Representation

Pursuant to our articles of association, the holders of Class A Shares are entitled to nominate half of the board members for election at the General Assembly. As our Board of Directors is composed of six members, three directors must be elected by the General Assembly from among the candidates nominated by the holders of Class A Shares. Pursuant to the agreement governing the relationship between the shareholders of the Selling Shareholder, the Akarlılar Family will be entitled to nominate two of the three directors appointed by the holders of Class A Shares and TPEF II will be entitled to nominate the remaining director. See "*—Board of Directors*."

In addition, the chairman of the Board of Directors is elected from among the directors nominated by holders of Class A Shares. In case there is a vacancy among the members appointed by the Class A Shares, the members of the Board of Directors replacing previous members will be nominated by the holders of the Class A Shares.

Veto Rights

Pursuant to our articles of association, the unanimous approval by holders of our Class A Shares is required to adopt resolutions relating to the following matters:

- changing the scope of activity, entering into new lines of business, or exiting the current lines of business;
- increasing the share capital, except for increases made in accordance with the issued share capital system; decreasing the share capital;
- liquidation, dissolution or termination of the Company;
- changing the corporate status of the Company;
- filing of bankruptcy, concordatum, restructuring or postponement of bankruptcy;
- transfer of commercial enterprise either partially or in full;
- changing the Class A Shareholder's right to appoint Board of Directors' members or the structure of the board of directors;
- changing meeting and decision quora of the Board of Directors or the committees of the board of directors;
- approving the annual financial statements, the balance sheet or the profit and loss accounts;
- releasing the members of the board of directors from liability in respect of actions taken by them during the preceding financial year; or
- changing any of the reserved matters listed above.

Conversion to Class B Shares

Class A Shares can be converted into Class B Shares through an amendment to our articles of association which requires the prior approval of the CMB and the Ministry of Customs and Trade as well as our General Assembly. In the following circumstances, Class A Shares will automatically convert into Class B Shares without any amendment to our articles of association:

- any Class A Shares transferred to third parties will automatically convert into Class B Shares, and
- if a holder of Class A Shares applies to the Central Registry Agency for conversion into tradable shares on Borsa Istanbul, the amount of Class A Shares subject to this application will automatically convert to Class B Shares.

Our articles of association do not envisage any circumstances for the conversion of Class B Shares into Class A Shares.

Termination of Share Classes

Privileges provided to Class A Shares under our articles of association are valid and enforceable for so long as the Selling Shareholder and its subsidiaries owns at least 20.0% of our issued share capital. If, following the Offering, the level of ownership of Class A Shares by Selling Shareholder and its subsidiaries falls below this threshold, all Class A Shares will be automatically converted into ordinary shares and share classes will cease to exist.

Term, Object and Purpose

The Company was incorporated on January 13, 1994 as a joint stock company under the laws of Turkey under the trade name of "Mavi Giyim Sanayi ve Ticaret Anonim Şirketi" and it is registered with the Istanbul Trade Registry under registration no. 309315. The registered address of the Company is Sultan Selim Mahallesi, Eski Büyükdere Cad. No:53, Kağıthane, Istanbul. The Company is incorporated for an indefinite term.

Pursuant to Article 3 of the articles of association of the Company, our primary objective is to manufacture, import, export, distribute and sell all types of denim and ready-to-wear products, but the Company is not limited to those objectives.

Pre-emptive Rights

Turkish companies may increase their share capital through various methods, including through the issuance of new shares, and such issuance may be in the form of a rights issue or a bonus issue. Absent a general assembly resolution stating otherwise, the existing shareholders of a Turkish company are entitled to subscribe for new shares, also known as pre-emptive rights, in proportion to their respective shareholdings each time the company undertakes a capital increase. For rights issues when pre-emption rights of shareholders are not restricted, the boards of directors of Turkish companies generally recommend that new shares be issued at their nominal value. This entitles the existing shareholders to subscribe for shares at a significant discount to their current market price. However, new shares may also be issued at premium or at prices higher than or, subject to the CMB's consent, below their nominal value. Pre-emptive rights entitle holders of shares to subscribe to the same class of share.

Holders must exercise their pre-emptive rights within a subscription period announced by the company, which may not be less than 15 days or more than 60 days. Pursuant to the CMB Communiqué on Sale of Capital Markets Instruments II-5.2, in a share capital increase of a publicly listed company, any shares remaining after the exercise of the pre-emptive rights must be sold on the stock exchange. Such remaining shares may not be sold at a price lower than their nominal value. However, this requirement does not apply in the context of a share capital increase of a publicly listed company relating to a class of shares that does not have a trading sequence on Borsa Istanbul. If such remaining shares are not sold on the stock exchange, those shares must, at least, be sold at a price calculated by reference to Borsa Istanbul primary market of the daily weighted average of the last two days of the public offering period relating to new shares issued due to such share capital increase. If a primary market is not constituted for the offering or there are no transactions in the primary market, such shares must, at least, be sold at the daily weighted average price of the shares formed in the secondary market on the last day of the pre-emptive right exercise period. If there are no transactions in the secondary market on the last day of the pre-emptive right exercise period, the sale price shall be the daily weighted average price on the last transaction date in the secondary market. In any case, any shares remaining after the exercise of pre-emptive rights may not be sold at a price lower than their nominal value. If the listed shares provide a different set of rights to holders of such shares compared to the unlisted shares, the sale price may be determined by different methods subject to the prior approval of the CMB.

Pre-emptive rights of shareholders related to a rights issue may be restricted wholly or in part either (i) by a two-thirds vote of shareholders present at a general assembly meeting of a public company, or a majority vote, if at least half of the shareholders were present at the general assembly of shareholders meeting, unless a higher quorum is set forth in the articles of association of such public company; or (ii) for companies that have adopted the authorized capital system, by a resolution adopted by the board of directors to such effect, provided that such authority has been conferred upon the board of directors pursuant to the company's articles of association. CMB rules stipulate that such authority may be conferred upon the board of directors of companies that have received permission from the CMB to adopt the authorized capital system. Our Company has adopted the authorized capital system and the pre-emptive rights of our shareholders may be restricted by a resolution to be adopted by our Board of Directors.

Shareholders are entitled to file a lawsuit against the decisions of the board of directors relating to a share capital increase under the authorized share capital system. Such a lawsuit against board of directors' decisions should be filed within 30 days from the date of announcement of such a board of directors' decision.

Under Turkish law, bonus issues may be undertaken in order to convert all or a portion of a company's revaluation internal funds and reserves, distributable profits and profits from the sale of equity participations and fixed assets, into share capital. See "*Dividends and Dividend Policy*". Bonus issues shall be distributed to the shareholders pro rata to their shareholdings as at the date of the bonus issue. According to the provisions of the TCC: (i) capital reserve funds, which are set aside for contingencies but not allocated for a special purpose; (ii) a portion of statutory reserves which can be freely disposed; and (iii) funds which are permitted by law to appear on the balance sheet and be added to capital, may be converted into share capital and this share capital may be increased by utilizing such internal sources, funds and reserves.

Dividends

See "*Dividends and Dividend Policy*."

Liquidation Rights

Pursuant to the TCC, shareholders of a joint stock company have the right to receive a *pro rata* share of any proceeds arising from the liquidation of such company. The articles of association, however, may restrict this right of the shareholders. As at the date of this offering circular, no privileged rights with regard to any surplus in case of liquidation have been granted to any of our shareholders.

General Assembly

Under the TCC, the General Assembly must convene for ordinary and extraordinary meetings. Ordinary General Assembly meetings must be held within three months of the end of each financial year.

The General Assembly convenes upon notice by our Board of Directors to our shareholders at least three weeks prior to the date of the General Assembly meeting. Notices including postponements and re-scheduling of the General Assembly and including the agenda of such General Assembly must be published in the Trade Registry Gazette, the website of a public company and the Public Disclosure Platform at least three weeks before the date of the General Assembly, excluding the date of publication and the date of the General Assembly.

Pursuant to our articles of association, the General Assembly is to be held at the Company's headquarters, located at Sultan Selim Mahallesi, Eski Büyükdere Cad. No:53, Kağıthane, Istanbul, Turkey, another location that is convenient in the city in which the headquarters is located, or another city pursuant to the Board of Directors' resolution to such effect. Extraordinary general assembly meetings may be convened by our Board of Directors or upon the request of shareholders representing at least 5.0% of our share capital. If the Board of Directors does not fulfill such request, such shareholders may ask permission from the court to convene a General Assembly.

The following matters are required by the TCC to be included in the agenda of each ordinary General Assembly:

- the appointment of the chairman of the General Assembly;
- the review of the annual report of our Board of Directors and the auditor's report;
- the review of the annual financial statements and the approval, amendment or rejection of the balance sheet and profit and loss account prepared for the preceding financial year;
- the allocation of profit and the distribution of profit pertaining to the preceding financial year as dividends;
- the release of our Board of Directors from liability in respect of actions taken by them in the preceding financial year;
- the approval of the compensation of the members of our Board of Directors and the auditors; and
- the appointment or reelection of members of our Board of Directors and our auditors whose terms of office have expired.

Shareholders representing at least 5.0% of our share capital may, by written notice to be served through the notary public, require any additional matters to be included on the agenda for discussion at any of our General Assemblies. If the Board of Directors does not fulfill such a request, such shareholders may ask permission from the court to include additional items on the agenda. Additionally, public companies must include on the agenda of the General Assembly the matters that the CMB requires to be discussed or disclosed to shareholders.

With respect to our shares which are entered in the book entry system, the Central Registry Agency will prepare a list indicating our shareholders, which will be taken into consideration for the relevant General Assembly. Shareholders whose names are included in the list may attend the General Assembly by presenting their identity cards. Any shareholder not wishing to attend a General Assembly in person may appoint another person as a proxy.

Save where otherwise ordered by the TCC, the Capital Markets Law or our articles of association, the presence in person or by proxy of the shareholders representing 25.0% of the outstanding shares constitutes the meeting quorum at any duly convened ordinary or extraordinary general assembly. If such quorum is not met in the first General Assembly, no quorum is required for the second General Assembly, which must be called in accordance with the procedure applicable to the first General Assembly. Except as otherwise required by law, all actions of the shareholders are taken by affirmative vote of the simple majority of shares represented by the shareholders present in the General Assembly.

Further, pursuant to our articles of association, the unanimous approval by holders of our Class A Shares is required to adopt resolutions relating to certain significant matters, provided that the Selling Shareholder and its subsidiaries own at least 20.0% of our issued share capital at such time. See "*—Share Classes—Privileges of Class A Shares—Veto Rights.*"

In addition, a General Assembly called to consider any of the following matters requires the indicated supermajority approval:

- change of the jurisdiction of incorporation of the company or increases in the obligations of the shareholders—attendance and unanimous affirmative decision of shareholders or proxies representing 100.0% of the share capital is required;
- restriction of pre-emption rights and authorization of the Board of Directors for the restriction of pre-emption rights under the authorized capital system and capital reduction—no meeting quorum is required. Decisions are taken by the affirmative vote of 66.7% of the shares represented by shareholders present in the duly convened General Assembly. If, however, shareholders representing at least 50.0% of the share capital are present at the General Assembly, decisions are taken by the affirmative vote of the simple majority of the shares represented by shareholders that are present; or
- material transactions under the Capital Markets Law, which include material changes in the scope of activity, merger, demerger, change in corporate status, dissolution, transfer of or establishment of a right in rem on or the lease of a material amount of assets, creation of any privileges or the change in the scope or subject matter of existing privileges, delisting, and in the event of a share capital increase through rights issue, in the event the funds arising from the capital increase is more than the share capital of the company and that such funds are to be used to partially or completely set off the debts arising from non-cash asset transfers to related parties or the company, no meeting quorum is required. Decisions are taken by the affirmative vote of shareholders representing at least 66.7% of the share capital represented in the duly convened General Assembly. If however, shareholders representing at least 50.0% of the share capital are present at the General Assembly, decisions are taken by the affirmative vote of the simple majority of the shares represented by shareholders that are present.

The Corporate Governance Communiqué introduced specific corporate approval requirements for all related party transactions, transactions creating any guarantee, pledge or mortgage in favor of third parties, transactions that may result in a conflict of interest with the company or its subsidiaries and certain other transactions deemed material by the Corporate Governance Communiqué. The Corporate Governance Communiqué imposes certain requirements to be conducted by companies in relation to such transactions, depending on the magnitude and scope of the transaction, such as preparation of a valuation report and/or approval of the majority of independent members of the board of directors. If such a transaction is not approved by the majority of the independent board members, the relevant transaction has to be put to a vote at a general assembly of shareholders. The parties to the transaction and their related parties cannot vote to approve the transaction at the general assembly of shareholders, to ensure the participation of other shareholders in the decision. No meeting quorum is required for such general assemblies of shareholders and resolutions are passed by simple majority of those entitled to vote at the relevant general assembly of shareholders. Resolutions of the board of directors or the general assembly of shareholders passed in violation of the principles set forth in this paragraph are not valid.

According to the TCC, resolutions adopted in a duly convened general assembly of shareholders are valid and binding on the shareholders who did not attend the meeting.

Under the TCC and the Capital Markets Law, shareholders are entitled to initiate cancellation lawsuits against the decisions of the general assembly of shareholders if such shareholders (i) voted against the decisions of the general assembly of shareholders and registered their dissenting vote with the general assembly meeting minutes; or (ii) regardless of their presence at the meeting, claim that the notice of such shareholders' meeting was not duly given or the agenda was not duly announced, thus affecting the general assembly decision. Such lawsuit against a general assembly of shareholders decision should be filed within three months from the date of such decision. Prior approval of the CMB and the Ministry of Customs and Trade must be obtained for any amendment to our articles of association.

Electronic General Assembly

In accordance with the requirements of the TCC and the Capital Markets Law, following the Offering, our shareholders will be entitled to participate in General Assemblies through the electronic platform operated by the Central Registry Agency where such General Assemblies are streamed real-time. Shareholders who notify their request to participate in a General Assembly through the electronic platform one day prior to the relevant General Assembly, provided that they obtain electronic signatures in advance, may attend the meeting by using the electronic platform. All announcements and other documents that must be submitted for the review of our shareholders will also be made available through the electronic platform. During the General Assembly, shareholders may electronically vote and submit a maximum of two written opinions for each agenda item, limited to 600 characters each. Through the electronic platform, shareholders may also appoint a proxy to attend the General Assembly physically or through the electronic platform on their behalf.

The electronic platform operated by the Central Registry Agency archives all documents provided for the attention of the shareholders, voting information, resolutions, attendee and shareholding information and similar information for 20 years, accessible to the company and its shareholders.

Voting Rights

Our shareholders are entitled to one vote per share held on all matters submitted to a shareholder vote. Any shareholder not wishing to attend a General Assembly meeting in person may appoint another person as a proxy and may exercise its voting rights through its proxy. However, the Class A Shares have certain additional rights with respect to nomination of candidates for the Board of Directors (including the chairman) and certain veto rights on extraordinary corporate actions. See "*—Share Classes—Priviliges of Class A Shares—Board Representation.*"

Transfer of Shares

Save as otherwise discussed below, the transfer of our shares is permitted under our articles of association and must be made in accordance with the relevant legislation. The transfer of our shares is effective upon book-entry registration with accounts maintained by the Central Registry Agency and registration of the transfer in our share ledger.

According to the CMB's Communiqué on Shares VII-128.1, shareholders holding at least 10.0% of the shares in a company undertaking an initial public offering or, irrespective of their shareholding, by shareholders exercising management control over such company, cannot sell their shares on the stock exchange below the offer price within a period of one year after the commencement of trading of the shares on the exchange. Investors that purchase shares in the company from such shareholders in the initial public offering will not be subject to this restriction. Further, shares that are acquired by such relevant shareholders on the stock exchange after the commencement of trading of the shares will not fall within this restriction. However, if an investor purchases shares from such shareholder outside the stock exchange, the shares purchased in the transaction will also be subject to the restriction.

Turkish law requires non-resident investors to trade Turkish equity securities through a licensed Turkish bank or a licensed brokerage firm. In addition, the CMB regulations require banks or brokerage firms to trade shares in a company listed on a Turkish stock exchange exclusively on such exchange. Accordingly, following the Offering, non-resident investors may transfer our shares only on Borsa Istanbul and only through a licensed bank or a licensed brokerage firm.

Mandatory Offer

If any party or parties acting together acquire management control of a public company, such party or parties are required to (i) make an offer to the other shareholders to buy their shares; (ii) apply to the CMB for the approval of the tender offer and the associated disclosure documentation within six business days following the acquisition of the management control; and (iii) commence the offer within two months following the acquisition pursuant to the Tender Offer Communiqué II-26.1 ("**Tender Offer Communiqué**"). Acquisition of management control occurs when a person individually or acting together with others, owns, directly or indirectly, at least 50.0% of the voting rights of a company, or, regardless of any voting rights owned directly or indirectly, acquires privileged shares that grant the power to elect directors constituting the majority of the board of directors or to nominate such number of directors for election at the general assembly of shareholders. The CMB may grant an exemption from the mandatory offer obligation under certain circumstances such as acquisition of management control as a consequence of a mandatory shareholding structure change in order to reinforce the financial standing of the company and acquisition of management control in the parent of the company without the intent to acquire management control in the company. The Capital Markets Law and the Tender Offer Communiqué states that if the tender offer process is not initiated within two months (or extended until the end of such requested extension), then the voting rights of those who are in violation of their mandatory offer obligations will automatically be suspended and such shareholders will be prevented from voting at the general assembly until the completion of the tender offer process, unless the CMB determines otherwise. Further, such shareholders will be subject to an administrative fine in an amount up to the aggregate tender offer price.

The tender offer obligation is deemed inapplicable in certain specific circumstances, including (i) if management control is acquired upon a voluntary tender offer for 100.0% of the shares of all shareholders; (ii) without an acquisition of shares, if management control is acquired by a written agreement which is approved by the general assembly, and the shareholders who cast and registered their dissenting votes were granted exit rights in accordance with the relevant CMB legislation; (iii) if shares are transferred within a group of companies controlled by the same person; (iv) if a shareholder with management control loses but then re-acquires such control before acquisition of management control by a third party; or (v) in the case of a transfer of a portion of shares by parties with management control to third parties in a manner to grant the acquiring party with joint control or a lesser control under a written agreement.

Pursuant to the Tender Offer Communiqué, a voluntary tender offer may also be launched for all or a part of a public company's shares upon the approval of the CMB for such voluntary tender offer.

Pursuant to the Communiqué on Squeeze-out and Sell-out Rights II-27.2, a shareholder (or shareholders acting in concert) holding 98.0% (97.0% until December 31, 2017) of the total voting rights of a public company (*i.e.* controlling shareholder) has the right to squeeze out minority shareholders. A squeeze-out right is triggered when a person or corporation becomes a controlling shareholder or, in the case of an existing controlling shareholder, makes additional purchases.

Protection of Minority Shareholders

Under Turkish law, a minority shareholder in a public company that holds, either as a single shareholder or together as a group with other shareholders, 5.0% or more of the company's outstanding share capital has certain rights, including, among others:

- to require the board of directors to call an extraordinary general assembly of shareholders;
- to require the board of directors to include a particular matter on the agenda for an ordinary or extraordinary general assembly;
- to request the appointment of special auditors to investigate a particular matter;
- to require the chairman of board of directors to postpone negotiation of financial statements and any related matters for one month;
- to request that a court replace the company's independent auditor for just cause; and
- to request a court decision to dissolve a company for just cause (in which case the court may also resolve, instead of dissolution, on the acquisition of the plaintiffs' shares by the remaining shareholders or another equitable remedy).

Pursuant to the Communiqué on Material Transactions and Retirement Right II-23.1 ("**Communiqué on Material Transactions and Retirement Right**"), material transactions can only be effected through a general assembly decision, including, among others:

- merger, demerger, change in corporate status or dissolution;
- disposal or lease of, or the creation of a right in rem on, all or a material part of a public company's assets;
- material change in a public company's scope of activity;
- creation of new privileges or a change in the scope of existing privileges;
- de-listing;

- acquisition or lease of a material part of assets from related parties; and
- in case of a share capital increase, fulfillment of the responsibility of subscribing in cash by setting off the debts arising from the asset transfer;

where the materiality threshold is determined by certain percentages envisaged under the Communiqué on Material Transactions and Retirement Right. The Communiqué on Material Transactions and Retirement Right allows shareholders who cast a dissenting vote against such transactions and record their dissenting votes in the minutes of the general assembly (other than those who are unfairly prevented from attending the general assembly of shareholders or if the relevant general assembly of shareholders is not duly called) to request that the company acquire their shares at a price based on the weighted average stock price for the 30-day period preceding the public disclosure of the relevant material transaction. Upstream merger of a public company, de-listing and creation of new privileges or a change in the scope of existing privileges are structured as tender offers, the pricing of which is based on the retirement right price. Such price per share to be paid to the dissenting shareholder is also disclosed to the public together with the agenda of the relevant general assembly of shareholders.

Board of Directors

Our articles of association require that our Board of Directors be comprised of six members appointed by our shareholders, including the minimum number of independent board members required by the Corporate Governance Principles. The Class A Shares have certain additional rights with respect to nomination of candidates for the Board of Directors and for chairman of the Board of Directors. The holders of Class A Shares are entitled to nominate half of the board members for election at the General Assembly. As our Board of Directors is composed of six members, three directors must be elected by the General Assembly from among the candidates nominated by the holders of Class A Shares. Pursuant to the agreement governing the relationship between the shareholders of the Selling Shareholder, the Akarlılar Family will be entitled to nominate two of the three directors appointed by the holders of Class A Shares and TPEF II will be entitled to nominate the remaining director. See "*—Share Classes—Privileges of Class A Shares—Board Representation.*"

Pursuant to our articles of association and the TCC, our Board of Directors is responsible for our management. The Corporate Governance Principles require that a listed company's board of directors be comprised of at least five members and to appoint the requisite number of independent board members to a board of directors in accordance with Corporate Governance Principles. In principal, while all Tier 1 and Tier 2 companies are required to have a number of independent board members equal to at least one-third of the number of directors on their board, as a Tier 3 company we are required to have only two independent board members. A company offering its shares to the public or being listed for the first time falls within Tier 3 and accordingly needs to appoint two independent board members to its board of directors as at the date of its first general assembly meeting to be convened after commencement of trading on Borsa Istanbul. Once the CMB's reclassification decision is announced, we expect our Company to be classified as a Tier 2 company. See "*Corporate Governance—CMB Corporate Governance Principles*".

Under Turkish law, directors can be appointed from among real persons and legal entities and they are not required to own shares in order to serve on the board of directors. In order for a legal entity to serve as a director, it must appoint an individual to exercise the director's rights and duties on behalf of the legal entity.

Under Turkish law, directors cannot attend negotiations or vote on matters in which the directors themselves, their spouses or their relatives (up to and including their cousins) have an interest, or if their attendance would otherwise be contrary to objective principles of good faith. According to the TCC, members of our Board of Directors cannot enter into commercial relationships with us or engage in any competing activities, unless permitted by the General Assembly. The Corporate Governance Communiqué further requires the Board of Directors to provide information to the General Assembly regarding any transaction that is entered into by members of the Board of Directors, their spouses or relatives up to and including second degree, which may result in a conflict of interest for or compete with us or our subsidiaries. See "*Corporate Governance—CMB Corporate Governance Principles*."

Reports to Shareholders

As a public company, we will produce an annual activity report in Turkish along with an English translation, including audited accounts prepared in accordance with the rules and regulations of the CMB. Copies of such report may be obtained on request within three weeks preceding the date of each annual General Assembly as required by Turkish law.

Pursuant to the provisions of the Financial Reporting Communiqué, the balance sheet, the profit and loss account, the annual report and proposals regarding the distribution of profits, as well as the auditors' report, must be made available to the shareholders at our head office at least three weeks in advance of a General Assembly. The balance sheet, the profit and loss account and the annual report are to be made available to our shareholders at our head office for a period of one year from the date of the relevant General Assembly.

We will also prepare unaudited quarterly financial statements for the first and third quarters and reviewed semi-annual financial statements for the first six months of each financial year, which will be publicly disclosed in accordance with CMB regulations. Subject to CMB approval, we expect to release our financial results for the first quarter of Fiscal Year 2017 on or about June 30, 2017.

Turkish capital markets legislation does not require listed companies to prepare financial statements in accordance with IFRS or to disclose such financial statements. However, certain listed companies voluntarily prepare and disclose financial statements prepared in accordance with IFRS. Following the Offering, we intend to continue to prepare financial statements in accordance with IFRS in the future.

Disclosure of Material Events

Disclosure of material events for publicly listed companies is primarily regulated by the CMB's Disclosure Communiqué II-15.1 (the "**Disclosure Communiqué**"). Under the Disclosure Communiqué, the CMB makes a distinction between "inside information" and "continuous information." Rather than identifying each material event requiring disclosure in the Disclosure Communiqué, the CMB leaves specific disclosure decisions regarding inside information to the companies' individual discretion on a case-by-case basis; yet disclosure guidelines published on February 10, 2017 clarify the events triggering a disclosure requirement by providing illustrative examples. As per the Disclosure Communiqué, in the event of an existence of any news or rumors relating to the issuer disclosed for the first time through media institutions or by other communication means which is likely to affect the value and/or the price of the issuer's shares, capital markets instruments or investors' investment decisions, issuers are obliged to make disclosures on the accuracy and adequacy of such news or rumors. Interpretations, analysis, assessments and predictions made on the issuer company based on the issuer's public disclosures do not fall within the scope of above principle.

In addition, pursuant to Article 198 of the TCC, persons becoming direct or indirect holders of 5.0%, 10.0%, 20.0%, 25.0%, 33.0%, 50.0%, 67.0% or 100.0% of the issued share capital of a Turkish company are required to notify such company of such an acquisition and, thereafter, to notify the company of their transactions in the shares of such company when the total number of the shares they hold falls below or exceeds such thresholds within ten days following completion of the relevant transactions. Information notified to the company has to be registered within ten days upon receipt of this notification with the relevant trade registry and publicly announced in the Turkish Trade Registry Gazette.

In principle, publicly listed companies are required to make public disclosures in Turkish. However, the CMB requires certain publicly listed companies to make public disclosure in other languages along with Turkish disclosure. We are planning to make public disclosures in English to more effectively communicate with our foreign investors. Further, a board of directors of a publicly listed company is required to adopt disclosure policies to effectively fulfill public disclosure obligations. See *"Corporate Governance—Policies—Disclosure Policy."*

Inside Information

The Disclosure Communiqué defines "inside information" as information or any event not disclosed to the public which may impact investors' investment decisions or is likely to affect the value and price of the shares or relevant capital markets instruments of the issuer. If any inside information comes to the attention of any persons (i) who hold, directly or indirectly, 10.0% or more of the share capital or the voting rights of the issuer company; or (ii) regardless of such threshold, who hold privileged shares which give its holder the right to nominate or elect board members for such issuer (and which the issuer is not itself aware of) such persons must make a public disclosure regarding such inside information. Examples of insider information set out in the disclosure guidelines include the following:

- material administrative or legal proceedings, extraordinary income and profit, mergers and acquisitions, material changes in the financial position of the company;
- material changes related to financial assets, such as cases where the total of acquisition or disposal fees of financial fixed assets reach 5% of the value of the assets indicated in the latest disclosed balance

sheet of the company; or where the company acquires or disposes of 10% or more of another company's shares or total voting rights or adds profit to its share capital after the sale of financial assets;

- an acquisition of shares by non-shareholders or shareholders without management control over the company in a manner which would give them management control; and
- a change of independent auditors or senior management.

Publicly listed companies may suspend the disclosure of inside information by taking full responsibility for any non-disclosure in order to protect its legitimate interests, provided that (i) such suspension does not mislead investors; (ii) the company is able to keep any related inside information confidential; and (iii) the board of directors resolves on the necessary precautions in order to protect the interests of the issuer and not to mislead investors, or an officer authorized by the board of directors approves such precautions in writing.

Once the suspension conditions are eliminated, the issuer company must disclose the inside information on Public Disclosure Platform. In such disclosure the suspension decision and the reasons for the suspension must be indicated. Inside information must be publicly disclosed if its confidentiality cannot be preserved.

Continuous Information

The following changes in share ownership or management control in a company must be publicly disclosed under the Disclosure Communiqué by persons conducting the relevant transactions:

- a person or persons acting together becoming direct or indirect holders of 5.0%, 10.0%, 15.0%, 20.0%, 25.0%, 33.0%, 50.0%, 67.0% or 95.0% of the issued share capital or voting rights of a public company in Turkey are required to disclose such acquisitions on the Public Disclosure Platform and, thereafter, to disclose on the Public Disclosure Platform their transactions in the shares or voting rights of such company, when the total number of the shares or voting rights they hold falls below or exceeds such thresholds;
- the founding shareholder is required to disclose on the Public Disclosure Platform any direct or indirect acquisition of 5.0%, 10.0%, 15.0%, 20.0%, 25.0%, 33.0%, 50.0%, 67.0% or 95.0% of the issued share capital or voting rights of the company by investment funds belonging to a founding shareholder, and also to disclose on the Public Disclosure Platform its transactions in the shares or voting rights of such company, when the total number of the shares or voting rights that it holds falls below such thresholds;
- persons with managerial responsibility in a publicly listed company or persons with close relations to any such persons must publicly disclose their transactions relating to the shares or other capital markets instruments of such company as at the date when the aggregate value of the transactions performed by such persons reach TL 250,000 in one calendar year;
- In addition, companies must make necessary updates within two business days notice in respect of any changes relating to the general information on the company disclosed on Public Disclosure Platform. The Central Registry Agency is responsible for updating the shareholding chart indicating a publicly listed company's real person and legal entity shareholders who hold directly 5.0% or more of the shares or voting rights of such publicly listed company, in case of any changes.

Any changes in rights attached to different classes of shares in publicly listed companies must be disclosed on the Public Disclosure Platform and changes relating to the voting rights must be notified to the Central Registry Agency.

Timing of Disclosures

Disclosures regarding changes in ownership of shares or management control in a company mentioned above must be made no later than 9:00 a.m. Istanbul time on the third business day following the occurrence of the event triggering the disclosure requirement. Disclosures regarding other events (including the disclosure of inside information) must be made immediately upon the occurrence or discovery of the relevant event.

Auditors

Pursuant to its articles of association, the Company is required to comply with the provisions of the TCC and the Capital Markets Law and the relevant secondary legislation in relation to audit, which includes, among other things, the audit of its financial statements and the activity report of the Board of Directors. As a company that is subject to the provisions of the Capital Markets Law, the Company is required to have its annual accounts audited by an independent audit firm, authorized by the Public Oversight, Accounting and Audit Standards Authority and recognized by the CMB, to be appointed by the shareholders at the General Assembly for each fiscal year.

The Financial Statements included in this offering circular have been audited by KPMG, independent auditors as stated in their report included in this offering circular. See "*Presentation of Financial and Other Information*" and "*Independent Auditor*".

Share Buybacks

The Capital Markets Law and the Communiqué on Share Buybacks II-22.1 of the CMB (the "**Share Buybacks Communiqué**") allow public companies to buy back their own shares and accept their own shares as pledge, and sell out or pay consideration for shares that are bought back. If a public company plans to buy back its shares, its board of directors must prepare a share buyback program and submit it to the general assembly for approval. The share buyback transaction must be approved by the general assembly. The general assembly must also authorize the board of directors to perform the transaction.

The Share Buybacks Communiqué does not set out a special quorum for approval of a buyback program. Unless a higher quorum is required in a company's articles of association, the general assembly must adopt the following procedures namely (i) convene with shareholders representing at least 25% of the share capital present; and (ii) adopt the resolution with the affirmative votes of shareholders that represent the majority of the votes present.

For listed companies, if a share buyback is required for a company to avoid an immediate and material loss, the board of directors can initiate the buyback process without obtaining the approval of the general assembly of shareholders.

The total number of shares that can be acquired by a company and/or its subsidiaries in one day cannot exceed 25% of the daily transaction volume average for the 20 days prior to the transaction day. The purchase price must be determined based on the valuation report to be prepared in accordance with the CMB regulations and must be paid in cash. The program's duration can be a maximum of three years for listed companies. This period may be extended to five years if the program applies to the employees of a public company or its affiliates. The board of directors must disclose the program to the public pursuant to the public disclosure requirements of the Capital Markets Law, and publish it on the company's website at least three weeks prior to the general assembly of the shareholders. Once a company completes the buyback of its shares, it will not be allowed to exercise any of the rights attached thereto, except dividend and pre-emption rights. Accordingly, these shares will not be taken into account in the calculation of the general assembly of shareholders quorum.

On July 21, 2016 and July 25, 2016, the CMB announced on its official website that the authorization of the board of directors by the general assembly, the 10% limitation on the size of the shares buyback program and the transaction principle limiting the daily transaction volume's average to 25% would not be applicable until a further announcement. As at the date of this offering circular, publicly held companies can exceed the 10% limitation and buy back further shares. Publicly held companies with a buyback program in effect as of the announcement date will also be able to acquire their own shares within the scope of the announcement in the market where such company's shares are traded.

THE TURKISH SECURITIES MARKET

The following information has been derived from publicly available information and has not been independently verified by us, the Selling Shareholder or the Managers.

There has been an organized securities market in Turkey since 1866, although it was substantially dormant until the late 1970s. In 1981, the first Capital Markets Law (Law No. 2499) was enacted, which established the CMB as the main regulatory body with responsibility for the supervision and regulation of the Turkish securities markets. The İstanbul Stock Exchange was re-established in 1985 and re-commenced operations in early 1986. Securities trading in Turkey is governed primarily by the Capital Markets Law. This law regulates, among other matters, the issuance of securities; offerings, corporate governance principles; dividends; exit rights and squeeze outs; reporting requirements; regulatory sanctions and administrative fines; collective investment schemes; and certain capital market instruments, including derivatives, and capital market activities.

The CMB

The principal functions of the CMB are (i) to foster the development of the securities markets in Turkey and, thereby, contribute to the efficient allocation of financial resources in the Turkish economy; and (ii) to ensure adequate protection for investors.

The CMB supervises and regulates, among others, public companies and issuers of capital markets instruments, market infrastructure institutions including stock exchanges and central custody and settlement institutions, banks and other financial intermediaries, mutual funds, investment corporations, investment consulting firms, real estate appraisal companies and rating firms that offer their services to institutions operating in the capital markets. The CMB is authorized to request any kind of information and documents to determine the compliance of the entities it oversees with the Capital Markets Law and with its own regulations, communiqués and decisions.

As the capital markets regulator, the CMB promulgates regulations relating to Turkish capital markets. The CMB regulations set out a regulatory approval process for all securities to be publicly offered in Turkey, as well as certain private placements. In connection with its supervisory role, the CMB requires companies subject to its jurisdiction to prepare and publish balance sheets, income statements and annual reports, all of which must be prepared in accordance with the accounting principles and standards promulgated by the CMB. Moreover, unaudited quarterly reports must be filed in respect of each financial period ending in March and September, and a semi-annual report, subject to limited review by the independent auditors, must be filed with the CMB in respect of the first six months of each year. Upon the occurrence of any special events (such as a merger or acquisition), the CMB may require that additional information be disclosed by a public company or by directors or major shareholders of a public company. Furthermore, each situation that may have a material effect on the operations and the financial situation of a company participating in the capital markets must be immediately disclosed to the CMB.

The CMB is governed by a decision-making body comprised of seven members, including the chairman, who are all appointed by the government of Turkey. The term of office of the members of the CMB is six years. Members whose terms have expired can be re-appointed.

Borsa Istanbul

The establishment of Borsa Istanbul was envisaged in the Capital Markets Law, as the successor to the Istanbul Stock Exchange and other securities exchanges in Turkey, for the purposes of creating a single platform. Upon registration of its articles of association with the Istanbul Trade Registry on April 3, 2013, Borsa Istanbul automatically assumed all of the assets, rights and obligations of the Istanbul Stock Exchange and the Istanbul Gold Exchange. Pursuant to the Capital Markets Law, shareholders of Turkish Derivatives Exchange were granted an option right to subscribe for Borsa Istanbul's share capital in return for Turkdex's take-over by Borsa Istanbul. This option right was exercised by Turkdex shareholders. On May 6, 2014, Turkdex was liquidated following its facilitated merger with Borsa Istanbul. On January 20, 2014, Borsa Istanbul declared that it had entered into a strategic cooperation agreement with Nasdaq OMX which entitled Nasdaq OMX to subscribe for 5.0% of Borsa Istanbul's share capital, with an option to increase this by an additional 2.0% of Borsa Istanbul's share capital. On January 20, 2015, Borsa Istanbul entered into a strategic partnership with the London Stock Exchange in exchange for the London Stock Exchange's subscription for its shares. This was followed by another strategic partnership with the EBRD and, on December 11, 2015, EBRD signed a strategic partnership agreement to acquire a 10.0% ownership share in Borsa Istanbul.

Trading and Settlement

Since November 2015, members of Borsa Istanbul place their orders through the FIXAPI, the OUCH/ITCH and TW trading systems, which allow trading information to be communicated electronically between brokers, buy-side institutions and markets. Through these systems, members can route orders directly to Borsa Istanbul automated trading system and instantaneously receive order and trade confirmations. The electronic communication, the "sales order submission", acts as a sales contract. At the end of each trading session, each broker is required to submit a written breakdown of all completed transactions, using the Electronic Purchase and Sale System.

Updated trading prices for stocks traded on Borsa Istanbul are conveyed in real time to data vendors, such as Bloomberg and Reuters, for international dissemination. After each trading session, Borsa Istanbul publishes a daily bulletin on its website that sets out for each security, among other information, the high and low sales price, the closing sales price, the trading volume and the weighted average sales price. The information contained in the bulletin is customarily extracted and published on the following day in major newspapers in Turkey. All transactions are settled on a cash basis, and settlement must take place on the second business day after the execution of a trade.

Trading on Borsa Istanbul is conducted on each business day in Turkey, with a single and continuous trading session taking place from 9:40 a.m. to 6:10 p.m. (Istanbul time).

Equity Market

The equity market on Borsa Istanbul is divided into seven submarkets. Only investment firms are allowed to trade equities.

(1) the Star Market (*Yıldız Pazar*), on which the shares of large-sized companies with a market value of free-float shares of at least TL 100 million and other companies listed on BIST-100 index are traded; We have applied for the admission of our Shares to trading on the Star Market (*Yıldız Pazar*).

(2) the Collective Investment Products and Structured Products Market (*Kolektif Yatırım Ürünleri ve Yapılandırılmış Ürünler Pazarı*), on which the shares of securities investment companies, real estate investment companies, venture capital investment companies, warrants issued by intermediary institutions and exchange-traded funds are traded;

(3) the Main Market (*Ana Pazar*), on which the shares of mid-sized companies with a market value of free-float shares between TL 25 million and TL 100 million are traded;

(4) the Emerging Companies Market (*Gelişen İşletmeler Pazarı*), on which the shares of emerging companies with a market value of free-float shares smaller than TL 25 million are traded;

(5) the Pre-Market Trading Platform *(Piyasa Öncesi İşlem Platformu*), on which the shares of certain companies determined by the CMB pursuant to its decision no. 17/519 dated June 3, 2011, have been admitted to trading;

(6) the Watch List Companies Market (*Yakın İzleme Pazarı*), on which the shares of companies under special surveillance and investigation due to extraordinary situations with respect to transactions on Borsa Istanbul, insufficient compliance with disclosure requirements or other events that may necessitate a temporary or permanent suspension of the trading are traded; and

(7) the Equity Market for Qualified Investors (*Nitelikli Yatırımcı İşlem Pazarı*), on which the shares of companies that are (i) issued for direct sale to CMB Qualified Investors without being publicly offered and (ii) are traded only among CMB Qualified Investors.

In addition to these seven market segments, an Official Auction Market (*Resmi Müzayede Pazarı*) may be opened when necessary, allowing the trading of stocks by courts, executive offices and other official entities in a separate market.

There is one other market, namely the Primary Market (*Birincil Piyasa*), on which the shares in companies being publicly offered and listed for the first time on Borsa Istanbul and any additional shares offered following rights offerings of companies listed on Borsa Istanbul are traded. In addition to these markets, there are two different transaction structures that are conducted on the Equity Market. Block trades of listed stocks are conducted as specifically regulated wholesale transactions (*Toptan Satış İşlemleri*) and pre-emption rights during rights issues (granting the right to subscribe for newly issued shares) are traded separately as pre-emption right transactions (*yeni pay alma hakları işlemleri*).

The minimum transaction amount on Borsa İstanbul is one round lot that is equal to TL 1.00 in nominal value.

Turkish capital markets legislation requires shares of a company listed on a Turkish securities exchange to be traded exclusively on that exchange. This requirement applies only to brokerage firms licensed to trade on the stock exchange and to orders placed with them by investors. Transfers between principals that do not involve a public offering may be transacted outside a stock exchange. However, the exception may not be applicable to non-resident investors because Turkish foreign exchange legislation requires non-resident investors to execute their trades in listed securities through a duly licensed brokerage firm or a bank.

Listing Requirements

Borsa Istanbul requires that a company meet certain criteria involving profitability, market value of the shares offered to the public, amount of shares offered to the public as a percentage of the share capital of the company and shareholders' equity. Accordingly, a company must satisfy the conditions for listing on the Star Market and Main Market set forth in the following table:

Minimum Threshold	Star Market		Main Market	
	Group 1	Group 2	Group 1	Group 2
Free-float market value	TL 250 million	TL 100 million	TL 50 million	TL 25 million
Market capitalization	TL 1 billion	TL 400 million	—	—
EBITDA	Last two years	Last two years	Last two years	Last two years
Free-float percentage	5.0%	10.0%	15.0%	25.0%
Equity / Capital	>0.75	>1	>1	>1.25

The following conditions also apply to companies seeking to list on Borsa Istanbul:

- a minimum of two calendar years must have elapsed since the company's incorporation;
- financial status of the company must enable it to carry out its business operations in a sound manner;
- there must not be any encumbrance on the company's shares preventing a shareholder from exercising his or her rights, and the articles of association of the company must not include any provision limiting the transfer and trading of its listed shares;
- there must not be any material legal dispute which may affect the operation and activities of the company it must be documented by a legal counsel which have no relation with the company, that the establishment and activities of the company and the legal status of the share certificates comply with the legislation to which they are subject; and
- the company must not have stopped operation for more than three months within the last two calendar years for reasons other than those that are acceptable to Borsa Istanbul, and there must not be any requests or proceedings for the liquidation or arrangements in bankruptcy of the company or any other similar proceedings identified by Borsa Istanbul.

Takasbank (Istanbul Settlement and Custody Bank)

İstanbul Takas ve Saklama Bankası A.Ş. ("**Takasbank**") is the Clearing and Settlement Center for Borsa Istanbul and the ISIN number issuance authority for Turkey. Apart from these functions, Takasbank operates both the money market and the securities lending and borrowing market, provides banking services including cash loans to members, and other services such as cross-border settlement and custody.

Dematerialization of Shares and the Central Registry Agency

The Central Registry Agency is the depository for capital market instruments that the CMB has decided to dematerialize. As of January 2016, the Central Registry Agency was owned by Takasbank, Borsa Istanbul, and Turkish Capital Markets Association and is regulated by the CMB.

Shares traded on Borsa Istanbul used to be physically held by Takasbank. Starting from November 2005, these shares are dematerialized and can now only be held through the Central Registry Agency. Newly issued shares are no longer printed, but are entered into the book-entry system of the Central Registry Agency. Printed shares must be delivered to the issuer or the intermediary institution authorized by the issuer before the end of the seventh year following the registration of the shares of the relevant company with the Central Registry Agency.

Shares that are not dematerialized within seven years will be acquired by the Investor Compensation Center and sold within three months. The proceeds of the sale will be collected by the issuing company whose shares are sold by the Investor Compensation Center. All rights and obligations attached to shares are determined according to the records of the Central Registry Agency.

Trading Prices and Fluctuations

The trading prices of securities listed on Borsa Istanbul are generally limited to a range established by Borsa Istanbul for each trading session. Accordingly, traders are not permitted to place orders at prices that are 20% higher or 20% lower than the base price of the relevant security at the preceding trading session. The highest and lowest price limits within which the stock may be traded in one trading session are therefore determined with reference to the base price. The base price is determined as the closing price of that particular stock recorded in the preceding trading session.

However, the equity market director on which the stocks are traded may double the limits for a particular trading session, while the chairman of Borsa Istanbul may lift or change the limits either ex officio or upon application by a certain number of exchange members. If no such action is taken by the officers of Borsa Istanbul, price fluctuations of stocks traded on Borsa Istanbul must be within the range established for each session.

If required by extraordinary adverse circumstances, the chairman of Borsa Istanbul may suspend trading in any listed security for up to five business days and suspend operations of Borsa Istanbul for a period of up to three days. Trading in any listed security may be suspended for more than five business days only by the board of directors of Borsa Istanbul. The CMB may suspend the operations of Borsa Istanbul for a period of up to 15 days upon the request of the Executive Board, and the relevant Minister of State may order a suspension of up to one month upon the request of the CMB. Only the Council of Ministers of Turkey may suspend the operations of Borsa Istanbul for a period exceeding one month. Borsa Istanbul's operations have been suspended several times, primarily due to factors outside Borsa Istanbul's control.

Disclosure

There are two types of disclosure requirements, one relating to financial statements and the other relating to material events (including inside information and continuous information).

Disclosure Requirements Relating to Financial Statements

Pursuant to the Communiqué No: II-14.1 on the Principles Regarding Financial Reporting in Capital Markets and the Communiqué on Public Disclosure Platform No:128.6, financial statements must be presented on a quarterly basis in accordance with TFRS:

- audited year-end consolidated financial statements and reports prepared in accordance with TFRS must be published on the Public Disclosure Platform within a period of 60 days following the end of the accounting period (if companies are required to submit consolidated financial statements, the period is extended to 70 days following the end of the accounting period);

- interim condensed consolidated six-month financial statements must be published on the Public Disclosure Platform within 40 days following the end of the accounting period (if companies are required to submit consolidated financial statements, the period is extended to 50 days following the end of the accounting period); and
- unaudited first quarter and third quarter financial statements must be published on the Public Disclosure Platform within 30 days following the end of the accounting period (if companies are required to submit consolidated financial statements, the period is extended to 40 days following the end of the accounting period). If the first and third quarter financial statements are independently audited, then such financial statements must be published on the Public Disclosure Platform within 40 days and 50 days, respectively, for companies preparing unconsolidated and consolidated financial statements.

Pursuant to the Disclosure Communiqué, companies may make public disclosures relating to future forecasts through a decision of the board of directors or the written consent of the persons authorized by the board of directors. Companies may disclose their future forecasts to public at most four times in a calendar year by either making public disclosures on the Public Disclosure Platform or making relevant explanations under activity reports. If there is a material change within the scope of future forecasts, disclosure of the material change is required. Pursuant to our disclosure policy, we can disclose our future forecasts. See "*Corporate Governance—Policies—Disclosure Policy.*"

Subject to CMB approval, we expect to release our financial results for the first quarter of 2017 on or about June 30, 2017.

Disclosure of Insider Information

See "*Description of Our Share Capital—Disclosure of Material Events—Inside Information.*"

Disclosure of Beneficial Interests in Shares

See "*Description of Our Share Capital—Disclosure of Material Events—Continuous Information.*"

Timing

Disclosures regarding changes related to shareholding structure and management control, securities attached to shares and a company's acquisition of its own shares must be made no later than 9:00 a.m. (Istanbul time) on the third business day following the occurrence of the triggering event. Disclosures regarding other events, including the disclosure of inside information, must be made immediately upon the occurrence or discovery of the relevant event.

Public Disclosure Platform

The Public Disclosure Platform is an electronic system enabling companies traded on Borsa Istanbul to release any information required to be publicly disclosed such as financial statements or material events via internet and electronic signature technologies.

All listed companies are required to disclose their financial statements, explanatory notes, material events and all other disclosures through the Public Disclosure Platform. The system is operated and managed by the Central Registry Agency.

The system enables all users to access both current and past notifications of a listed company, to obtain current announcements and up-to-date general information about listed companies in an open and timely manner and to make basic comparisons among and analysis of listed companies.

The internet address of the system is www.kap.gov.tr.

Financial Crimes

- *Insider trading* is a crime in Turkey. The Capital Markets Law defines insider trading as benefiting from, or enabling others to benefit from, or avoiding losses through, or enabling others to avoid losses through, the use of non-public information that may affect the value and/or price of securities or the investment decisions of investors. Benefiting from non-public information is the essential element of the offense. For an act to constitute an insider trading violation, the information must be utilized in a manner which provides an unfair advantage over other investors. The violation may be committed by the management of the issuer, its subsidiaries or controlling shareholders, the shareholders of the issuer or their controlling shareholders, persons that are informed of inside information in connection with the execution of their work, profession or duties, persons acquiring inside information with the intention to commit crime or persons that are or that should be aware of the fact that the information they have access to constitutes inside information. Under the Capital Markets Law; Insider trading violations are punishable by prison terms of two to five years or monetary fines ranging from TL 14,600 to TL 182,500 (subject to annual re-evaluation by the CMB). However, the minimum monetary fine imposed may not be less than twice the monetary benefit obtained through such actions. In addition, administrative fines may be imposed by the CMB ranging from TL 27,047 to TL 338,088. The Capital Markets Law exempts certain transactions, including those that are undertaken within the framework of share buyback or employee stock option programs in accordance with the CMB regulations, from the scope of insider trading crime. Other crimes, such as market manipulation, unauthorized public offering, abuse of confidence, forgery, withholding of information and documents.

to impede public company audits, fraud in legal books, accounting records and financial statements and reports, breach of confidentiality obligations and engaging in activities unauthorized by the CMB, are also punishable by prison terms and monetary fines.

- *Market manipulation* is defined as (i) making purchases and sales, giving orders, cancelling orders, changing orders or realizing account activities with the purpose of creating inaccurate, misleading or deceptive representations on the prices of capital market instruments, their price fluctuations, supplies and demands and (ii) giving false, misleading or deceptive information, spreading rumors, giving notices, making comments or preparing or distributing reports to affect the prices of capital market instruments, their values or the decisions of investors. These activities may be punished with a prison sentence of two to five years and a pecuniary fine of not less than two times the amount of the benefit obtained by market manipulation.
- *Improper public offering* is defined as (i) making a public offering of capital market instruments in the absence of a published and approved prospectus or selling capital market instruments in the absence of an approved certificate of issuance and (ii) performing unauthorized activities in the capital markets.
- *Abuse of confidence and forgery* is defined as (i) selling, using, pledging, hiding or disowning by any investment firm, fund board or collateral custodian of capital market instruments, cash and any kind of other assets delivered or submitted to such investment firm, fund board or collateral custodian due to their capital markets activities or their role as a custodian or for them to manage or guarantee irrespective of the name under which such instruments are delivered or submitted, (ii) decreasing the profits or assets of a public company by carrying out disguised transactions through applying prices, fees and charges that are different to the prices, fees and charges applied in similar transactions or (iii) decreasing the profits or assets of a public company or its subsidiaries and affiliates, or preventing such entities from increasing their profit or assets, by carrying out transactions which are in violation of arm's length principles, market practices and prudency and honesty principles, with another company or an individual with whom he/she is related, directly or indirectly, as management, auditor or shareholder, such as applying prices, fees and charges that are different to the prices, fees and charges applied in similar transactions.
- *Withholding information and documents* is defined as preventing auditing activities through (i) not providing required information, documents and registers, including those kept in electronic mediums or providing less than required and (ii) preventing the CMB from carrying out its auditing duties and failing to comply with auditing obligations.
- *Intentional irregularities in legal books, accounting records and financial statements and reports* is defined as (i) intentional failure to duly keep the books and records, (ii) failure to duly preserve the books and documents, (iii) preparing inaccurate financial statements and reports, (iv) opening accounts contrary to facts, (v) committing fraudulent accounting activities and (vi) preparing or facilitating the preparation of inaccurate or misleading independent audit and assessment reports.

The Capital Markets Law, however, exempts certain transactions such as stabilization activities, share buybacks or employee stock option programs from insider trading and market manipulation. The CMB is authorized to fine any non- criminal market disrupting actions harming the reliability, the transparency and the consistency of operations of organized markets by imposing administrative monetary fines ranging from TL 27,047 to TL 676,803 which, in any event, cannot be less than twice the monetary benefit obtained through such actions.

Trading Restrictions

The CMB is also entitled to prohibit persons, temporarily or permanently, from engaging in stock exchange operations if any of the following conditions are met:

- There exists a reasonable doubt about a capital market transaction following an inspection.
- A complaint is filed with a public prosecutor regarding market abuse, market disruption or insider trading.
- A person engages in trading activity in favor of third parties prohibited from stock operations.

A temporary prohibition lasts six months which can be extended one single time for the same period, if market abuse and disruption or insider trading are committed by using the accounts of third parties during the temporary prohibition period, the prohibition becomes permanent and can last up to five years.

Market Volatility

Borsa Istanbul is a highly volatile market. Trading on Borsa Istanbul and on its predecessor, the Istanbul Stock Exchange, has historically been characterized by a high degree of short-term speculative trading, which is at least partially attributable to the relatively underdeveloped institutional investor based in Turkey and to the relatively small but growing size of the retail investor base, which is composed primarily of high-net-worth individuals. See "*Risk Factors—Risks Relating to an Investment in the Offer Shares—Borsa Istanbul is smaller and less liquid than other major exchanges and may be more volatile, which may adversely affect the ability to trade the Offer Shares purchased in the Offering.*"

FOREIGN INVESTMENT AND EXCHANGE CONTROLS

The following is a summary of the relevant Turkish laws in force as at the date of this offering circular. This summary does not purport to be a comprehensive description of all the foreign investment and exchange control considerations that may be relevant to your decision to subscribe for or purchase the Offer Shares.

Until the promulgation of Decrees 28 and 30 on the Protection of the Value of the Turkish Currency in 1983, which granted Turkish residents limited rights to hold and trade foreign currencies, Turkish exchange regulations strictly controlled exchange movements. After the establishment of a foreign exchange market in August 1988, the exchange rate of the TL began to be determined by market forces, and, today, banks in Turkey set their own foreign exchange rates independently of those announced by the Central Bank. Pursuant to Decree 32, issued in August 1989 and amended several times since then, the Government abolished restrictions on the convertibility of the TL by facilitating exchange of the proceeds of transactions in Turkish securities by foreign investors, enabling Turkish residents to purchase securities on foreign securities exchanges, permitting residents and non-residents to buy foreign exchange from Turkish banks or authorized foreign exchange offices and to transfer such foreign exchange abroad through Turkish banks, and permitting Turkish companies to invest abroad, without ministerial approval.

Decree 32 provides that persons not resident in Turkey may purchase and sell shares of Turkish companies provided that such transactions are effected through a bank or broker authorized under Turkish capital markets legislation and the relevant gains and the purchase price are transferred through a bank licensed in Turkey. Decree 32 further provides that a non-resident person may freely repatriate dividends received and proceeds of their sale in respect of such shares. Decree 32 requires that the dividends received and the proceeds of sale of the shares be transferred through Turkish banks. Law no. 4875 on Direct Foreign Investments, which replaced Law no. 6224 in June 2003, defines foreign direct investment as, among other things, share acquisitions outside a stock exchange or through a stock exchange where the foreign investor owns 10.0% or more of the shares or voting power. Pursuant to Law no. 4875 foreign investment in Turkey is no longer subject to prior approval. As a result of the adoption of Law no. 4875, and subject to the provisions of Decree 32, foreign investors are now subject to the same requirements as a domestic investor when investing in a Turkish company, except for the acquisitions of real estate property. Pursuant to a ruling of the Turkish Constitutional Court, foreign investors are not allowed to freely acquire real estate property by way of acquiring a Turkish company that holds real estate property, as such acquisitions are subject to certain restrictions. Pursuant to the Land Registry Law no. 2644, foreign investors are not allowed to freely acquire real estate property. Turkish companies that have 50.0% or more of their shares held by foreign investors shall only acquire real estate property in order to carry out the activities mentioned in the articles of association. In addition, Law no. 4875 requires a public Turkish company to notify the Foreign Investment Directorate in the event non-resident holders acquire 10.0% or more of the share capital or voting rights of such public company.

TAXATION

The following discussion is a summary of certain Turkish tax considerations relating to an investment in the Offer Shares. The discussion is based on current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of our shares. You should consult your own tax advisors concerning the tax consequences of your particular situation. The discussion is based upon laws and relevant interpretations thereof in effect as at the date of this offering circular, all of which are subject to change, possibly with retroactive effect.

Turkish Taxation

Tax Status of Shareholders

Under Turkish income tax laws, there are two types of tax status in determination of income tax liabilities of taxpayers. Those who are residents in Turkey ("**Residents**") are subject to Turkish income taxation on their worldwide income. Those who are not residents in Turkey ("**Non-Residents**") are subject to Turkish income taxation on their Turkish source income only.

Real persons are considered Residents in Turkey, if (i) they are domiciled in Turkey in accordance with the Turkish Civil Code or (ii) excluding temporary departures, they stay in Turkey for more than six months in a calendar year. If neither of the given two conditions are satisfied, real persons are considered Non-Residents for Turkish tax purposes.

Legal entities are treated as Residents in Turkey if they are incorporated in Turkey under relevant Turkish laws or if their effective places of management are in Turkey despite the fact that they are incorporated outside of Turkey. If neither of the given two conditions is satisfied, legal entities are considered Non-Residents for Turkish tax purposes.

Dividend income is considered "Turkish source income" if the capital is invested in Turkey. As for capital gains, they are treated as Turkish source income if the transaction leading to the gains is concluded in Turkey, the payment for consideration is made in Turkey or the payment is accounted for in Turkey even if the payment is made outside of Turkey.

Dividends to be paid under the Offer Shares and capital gains to arise upon disposal of the Offer Shares at Borsa Istanbul will be considered to be Turkish source income.

Distributions on the Offer Shares

Dividends distributed by Turkish resident companies are subject to an income withholding tax of 15.0% if they are paid to Resident or Non-Resident individuals, or Non-Resident entities which do not hold such shares through a fixed place of business, or a permanent representative which constitutes a permanent establishment in Turkey (the "**Permanent Establishment**"). Under Turkish income tax laws, if the dividend is not distributed in cash but converted to share capital, obtaining the bonus shares issued to such effect is not subject to withholding tax.

If a double taxation treaty is in effect between Turkey and the country where the beneficial owner of the dividend is resident and if that treaty provides a lower rate, then a treaty-reduced withholding tax rate set forth in the double taxation treaty may apply under certain conditions.

Within the framework of the taxation regime, withholding tax is the final tax for dividend income earned from Turkey by Non-Residents. Non-Residents without any Permanent Establishment in Turkey are not required to file an annual or special tax return for dividends taxed through withholding.

Dividend income distributed by a Resident company and received by Resident entities and Non-Resident entities with a Permanent Establishment in Turkey is not subject to withholding tax and is also exempted from corporate tax in Turkey. Non-Resident entities holding shares through their Permanent Establishments in Turkey will be required to apply a branch profits repatriation withholding tax at a rate of 15.0% upon remittance of such profits to their headquarters unless a lower tax rate in the relevant treaty is available.

Resident individuals are required to file an annual tax return for their dividend income. One half of the gross amount of cash dividends received by Resident individuals from Turkish companies is exempt from income tax.

If the remaining amount exceeds the threshold amount (TL 30,000 for 2017) together with other income subject to declaration, this remaining amount should be declared in the annual tax return. Withholding tax charged on total gross dividend will be credited against income tax calculated on the tax return. If the dividend is not distributed in cash but as bonus shares, acquisition of such bonus is not subject to declaration.

Sale, Exchange or Other Disposition of the Offer Shares

For the period between January 1, 2006 and December 31, 2020, taxation of capital gains upon disposal of shares traded on Borsa Istanbul is governed by the Provisional Article 67 of the Income Tax Law, under which the capital gains are taxed through a withholding mechanism carried out by the Turkish banks or brokerage houses acting as intermediaries.

The statutory rate of the withholding tax is 15.0%. However, the applicable withholding tax on the capital gains arising from the disposal of shares (other than marketable securities investment trusts) traded on Borsa Istanbul, other than the shares of securities investment companies, is currently 0.0% for all Resident and Non-Resident investors, in accordance with the Government Decree 2006/10731, as amended by the Government Decree 2010/926 and by the Government Decree 2012/3141. Furthermore, for the marketable securities investment trusts which are traded on Borsa Istanbul, if the capital gains are derived by "joint stock companies, companies limited by shares and limited companies and investment funds" or by "foreign corporations in the nature of joint stock companies, companies limited by shares and limited companies and foreign corporations which are determined by Ministry of Finance to be in similar nature with investment funds and investment trusts established according to the Capital Markets Law are subject to 0% withholding tax. Gains derived by companies other than those mentioned companies are subject to 10% withholding tax, however capital gains is not triggered at all if the relevant shares are held for more than one year.

The withholding tax applied, albeit currently at 0.0%, is a Turkish final tax on the capital gains, as far as the Non-Residents are concerned, unless the shares are held through a Permanent Establishment in Turkey, in which case the capital gains will be part of the income of the Permanent Establishment and subject to taxation in Turkey as such. The withholding tax is also a final tax for Resident individuals, unless capital gains are classified as commercial income as a result of which such income will be subject to taxation through the submission of the annual income tax return. As for the Resident entities, capital gains are treated as part of their corporate income and subject to corporate income taxation in the usual manner.

You are advised to consider that the Turkish government is authorized to regulate and amend the applicable rates at any time. Therefore, there can be no guarantee that the 0.0% withholding tax will be maintained in the future.

Where the withholding tax rate is redetermined at a rate higher than 0.0%, Resident and Non-Resident individuals may voluntarily file a special annual tax return for the purpose of offsetting losses arising from a transaction against the capital gains of another transaction, provided that the securities traded on Borsa Istanbul are in the same category of securities as classified by the Ministry of Finance (e.g., fixed income securities, variable income securities, etc.).

Withholding tax liability is a liability of custodians, banks and brokerage houses that serve as intermediaries responsible for collection of taxes on income derived by investors from the sale or purchase of shares. Declarations with respect to withholding tax liability are filed quarterly by the custodians, banks or brokerage houses. For Non-Residents, application of withholding tax is primarily the responsibility of the Turkish custodian banks. In the event that these investors use such custodian banks, other banks and brokerage firms will have no liability for the application of withholding tax.

If the holder transfers Offer Shares from one custodian, bank or brokerage house to another, the receiving entity must be informed by the transferring entity of the purchase date and the purchase value of such Offer Shares in order to be able to take such information into account in the calculation of withholding tax. However, notification regarding purchase date and value may also be filed with the Ministry of Finance if Offer Shares are transferred from one holder to another or physical delivery is made.

If Provisional Article 67 is not extended beyond 31 December 2020, or the provisions therein kept in the legislation, the taxation of capital gains for the shares traded on the Borsa Istanbul after the end of 31 December 2020 will be subject to the framework of general provisions of Income Tax Law and subject to declaration for Turkish sourced income. Capital gain is considered to be sourced in Turkey when the activity or transaction generating the income is performed or accounted for in Turkey. The term "accounted for" means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or is made from the profits of the payer or the person on whose behalf the payment is made in Turkey.

If Provisional Article 67 is not extended beyond 31 December 2020 the tax regime applicable for the shares of companies which are not publicly traded will also apply for the publicly traded companies. Accordingly, the current tax rate in Turkey for capital gains of Non-Resident corporate investors is a 20.0% corporate tax and a 15.0% tax under the dividend withholding tax regime which is applicable after the application of the 20.0% corporate tax, resulting in an overall tax rate of 32.0%. The current tax rates in Turkey for capital gains of Non-Resident individual investors range between 15.0% and 35.0%, if it is taxable. However, many of the double tax treaties Turkey has concluded provide for non-taxation in Turkey of capital gains on the Offer Shares, usually subject to a one-year holding period or more reduced dividend withholding tax rate.

Taxation of Investment and Mutual Funds

As at January 1, 2006, Non-Resident investment funds have been subject to the same taxation principles as other Non-Resident entities.

Turkish Tax Treaties

Turkey has double taxation treaties in effect with certain countries. Many of these treaties provide for non-taxation in Turkey of capital gains on the Offer Shares, usually subject to a one-year holding period. Additionally, some of these treaties provide an exemption regardless of the length of the holding period for capital gains derived by residents of the relevant countries as a result of sale of the shares of a Turkish company. Prospective investors are advised to consult their tax advisors with respect to the tax treatment of the Offer Shares under these treaties.

As at the date of this offering circular, Turkey has relevant double taxation treaties in effect with the following countries:

Albania	France	Malaysia	Singapore
Algeria	Georgia	Malta	Serbia
Austria	Germany	Mexico	Slovakia
Australia	Greece	Moldova	Slovenia
Azerbaijan	Hungary	Mongolia	South Africa
Bahrain	India	Morocco	South Korea
Bangladesh	Indonesia	The Netherlands	Spain
Belarus	Iran	New Zealand	Sudan
Belgium	Ireland	Oman	Sweden
Bosnia and Herzegovina	Israel	Syria	Switzerland
Brazil	Italy	Northern Cyprus	Tajikistan
Bulgaria	Japan	Norway	Thailand
Canada	Jordan	Pakistan	Tunisia
China	Kazakhstan	Philippines	Turkmenistan
Croatia	Kuwait	Poland	Ukraine
Czech Republic	Kyrgyzstan	Portugal	United Arab Emirates
Denmark	Latvia	Qatar	United Kingdom
Egypt	Lebanon	Republic of Kosovo	United States
Estonia	Lithuania	Romania	Uzbekistan
Ethiopia	Luxembourg	Russia	Yemen
Finland	Macedonia	Saudi Arabia	

Source: Presidency of Revenues Administration.

Tax Treaty with the United States

A generally applicable tax treaty for the prevention of double taxation of income between Turkey and the United States (the "**Turkey-U.S. Treaty**") applies to all types of income.

Under Article 10 of the Turkey-U.S. Treaty, withholding tax on dividends paid to a company resident in the United States which beneficially owns at least 10.0% of the voting stock of a Turkish company paying the dividend is limited to 15.0% of gross dividends paid. In all other cases, the withholding tax rate is limited to 20.0% of the gross dividend paid. However, as there is no reduced rate under the Turkey-U.S. Treaty, the local withholding tax rate will be applicable. See "*—Distributions on the Offer Shares*."

According to Article 13 of the Turkey-U.S. Treaty, for so long as the Offer Shares are quoted on Borsa Istanbul, capital gains derived by residents of the United States from the disposition of the Offer Shares to a Resident are not taxable in Turkey. As stated above under "*—Sale, Exchange or Other Disposition of the Offer Shares*," the current withholding tax imposed by Turkey on the disposition of shares by Non-Residents is 0.0% and such 0.0% withholding tax is the final tax in Turkey.

U.S. Federal Income Taxation

The following is a description of the principal U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of the Offer Shares. This description addresses only the U.S. federal income tax considerations of holders that are initial purchasers of the Offer Shares pursuant to the International Offering and that will hold such Offer Shares as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

(i) banks, financial institutions or insurance companies;

(ii) real estate investment trusts, regulated investment companies or grantor trusts;

(iii) dealers or traders in securities, commodities or currencies;

(iv) tax-exempt entities or organizations, including an "individual retirement account" or "Roth IRA" as defined in Section 408 or 408A of the Code (as defined below);

(v) persons that received the Offer Shares as compensation for the performance of services;

(vi) persons that will hold the Offer Shares as part of a "hedging", "conversion" or constructive sale transaction or as a position in a "straddle" U.S. federal income tax purposes;

(vii) certain former citizens or long-term residents of the United States;

(viii) persons that have a "functional currency" other than the U.S. dollar;

(ix) holders that own or are deemed to own 10.0% or more, by voting power or value, of the Shares;

(x) S corporations; or

(xi) partnerships (including entities classified as partnerships for U.S. federal income tax purposes) or other pass-through entities, or holders that will hold our shares through such an entity.

Moreover, this summary does not include any discussion of state, local or foreign income, estate, gift or other tax consequences, nor does it address the Medicare tax on net investment income, the alternative minimum tax or the U.S. federal gift and estate tax consequences of the acquisition, holding or disposition of Offer Shares.

This description is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury Regulations and judicial and administrative interpretations thereof, as well as on the income tax treaty between the United States and Turkey (the Turkey-U.S. Treaty), in each case as in effect and available on the date of this offering circular.

All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this description, a "U.S. holder" is a beneficial owner of Offer Shares that for U.S. federal income tax purposes is:

(i) an individual citizen or resident of the United States;

(ii) a corporation created or organized in or under the laws of the United States or any state thereof, including, the District of Columbia;

(iii) an estate, the income of which is subject to U.S. federal income taxation, regardless of its source; or

(iv) a trust if (1)(a) a court within the United States is able to exercise primary supervision over its administration and (b) one or more U.S. persons have the authority to control all of the substantial decisions of such trust or (2) such trust had a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Shares, the tax treatment of the partnership and a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to the U.S. federal income tax consequences of acquiring, holding, retiring or otherwise disposing of the Shares.

Investors should consult their own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Shares.

Distributions

Subject to the discussion below under "—*Passive Foreign Investment Company Considerations*," the gross amount of any distribution of cash or property (other than certain distributions, if any, of the Offer Shares distributed pro rata to all our shareholders), with respect to the Offer Shares, before reduction for any Turkish taxes withheld therefrom, will be included in a U.S. holder's income as dividend income to the extent such distributions are paid out of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Subject to the discussion below under "—*Passive Foreign Investment Company Considerations*", to the extent, if any, that the amount of any distribution by us exceeds our current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of your adjusted tax basis in your Offer Shares and thereafter as capital gain. We do not maintain calculations of earnings and profits under U.S. federal income tax principles. Accordingly, U.S. holders should assume that any distribution made by us (other than, as discussed above, a distribution of Shares) will be treated as a dividend for U.S. federal income tax purposes.

Dividends will not be eligible for the dividends received deduction allowed to U.S. corporate shareholders in respect of dividends received from other U.S. corporations. Subject to applicable holding periods and other limitations, the U.S. dollar amount of dividends received on the Offer Shares by certain non-corporate U.S. Holders will be subject to taxation at a maximum rate of 20.0 % if the dividends are "qualified dividends". Dividends paid on the Offer Shares would be treated as qualified dividends if (i) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules; and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a PFIC. The Turkey-U.S. Treaty has been approved by the U.S. Internal Revenue Service ("IRS") for the purposes of the qualified dividend rules and we should be eligible for treaty benefits so long as there is substantial and regular trading in its stock on Borsa Istanbul's stock exchange. Prospective investors should consult their own tax advisors regarding whether they are entitled to a reduced tax rate under the qualified dividend rules.

If you are a U.S. holder, the amount of any cash dividend paid in TL to you will be included in your gross income in an amount equal to the U.S. dollar value of the TL received, calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by you, regardless of whether the payment in TL is in fact converted into U.S. dollars at that time. If the TL received as a dividend is converted into U.S. dollars on the date of receipt, you generally should not recognize foreign currency gain or loss with respect to such dividend. If the TL received as a dividend is not converted into U.S. dollars on the date of receipt, you will have a tax basis in the TL equal to the U.S. dollar value on the date of receipt. Any foreign currency gain or loss realized on a subsequent conversion or other disposition of the TL will be treated as U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

A U.S. holder will be entitled, subject to a number of complex limitations and conditions (including a minimum holding period requirement), to claim a U.S. foreign tax credit in respect of any Turkish income taxes withheld on dividends received on the Offer Shares. U.S. holders that do not elect to claim a credit for any foreign income taxes paid during the taxable year may instead claim a deduction in respect of such Turkish income taxes, provided that the U.S. holder elects to deduct (rather than credit) all foreign taxes paid or accrued for the taxable year. Dividends received with respect to the Offer Shares generally will be treated as foreign source income. For purposes of the U.S. foreign tax credit limitation, dividends received with respect to the Shares should generally constitute "passive category income." The rules governing foreign tax credits are complex and investors are urged to consult their independent tax advisors regarding the availability of foreign tax credits under their particular circumstances.

Sale or Exchange of Shares

Subject to the discussion below under "—*Passive Foreign Investment Company Considerations*," a U.S. holder generally will recognize gain or loss on the sale or exchange of the Offer Shares equal to the difference between the amount realized on such sale or exchange and the U.S. holder's adjusted tax basis in such Offer Shares. Such gain or loss will generally be capital gain or loss. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder's holding period for the Shares exceeds one year. For non-corporate U.S. holders, the U.S. income tax rate applicable to net long-term capital gain currently will not exceed 20.0%, although this rate could be amended by future legislation. Any gain or loss generally will be U.S. source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to significant limitations.

For U.S. holders, the initial tax basis of the Offer Shares will be the U.S. dollar value of the TL denominated purchase price determined on the date of purchase. If the Offer Shares are treated as traded on an "established securities market," a cash basis U.S. holder or, if it elects, an accrual basis U.S. holder, will determine the U.S. dollar value of the cost of such Offer Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. If an investor converts U.S. dollar into TL and then immediately uses that currency to purchase the Shares, such conversion generally will not result in taxable gain or loss to the investor.

With respect to the sale or exchange of Offer Shares, the amount realized generally will be (i) the U.S. dollar value of the payment translated at the spot exchange rate in effect on the date of disposition; or (ii) if the Offer Shares are treated as traded on an established securities market, a cash basis taxpayer, or (iii) if it elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

Passive Foreign Investment Company Considerations

In general, a non-U.S. corporation will be a PFIC for any taxable year in which (i) 75.0% or more of its gross income consists of passive income, or (ii) 50.0% or more of the average quarterly value of its gross assets (which may be determined in part by the market value of the Offer Shares, which is subject to change) consists of assets that produce, or are held for the production of, passive income. For this purpose, passive income generally includes, among other things, dividends, rents, royalties and gains from the disposition of investment assets (subject to various exceptions).

Based upon the composition of our gross income and gross assets and the nature of our business, we do not believe that we were classified as a PFIC for U.S. federal income tax purposes for the taxable year ending, January 31, 2017. Our status during the current tax year and future years will depend on our assets and activities in those years. We have no reason to believe that our assets or activities will change in a manner that would cause us to be classified as a PFIC, but there can be no assurance that we will not be considered a PFIC for any taxable year.

If we were a PFIC for any taxable year during which a U.S. holder held the Offer Shares, gain recognized by a U.S. holder on a sale or other taxable disposition (including certain pledges) of the Shares would generally be allocated ratably over the U.S. holder's holding period for the Shares. The amounts allocated to the taxable year of the sale or other taxable disposition and to any year before we became a PFIC would be taxed as ordinary income.

The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations for that year, as appropriate, and an interest charge would be imposed. Further, to the extent that any distribution received by a U.S. holder on its Offer Shares exceeds 125.0% of the average of the annual distributions on the Shares received during the shorter of (i) the preceding three years; or (ii) the U.S. holder's holding period, that distribution would be subject to taxation in the same manner as gain, as described immediately above.

A U.S. shareholder in a PFIC may avoid taxation under the rules described above by making a so-called "Qualified Electing Fund" (or QEF) election to include in income its share of the corporation's income on a current basis. U.S. Holders may make a QEF election with respect to their Shares only if the Company furnishes them annually with certain tax information with respect to the Company. Prospective investors should assume that a QEF election would not be available if we were determined to be a PFIC for a taxable year. A U.S. Holder of "marketable stock" in a PFIC may also make a mark-to-market election for such stock to elect out of the tax treatment discussed above. A mark-to-market election; however, will not be effective with respect to the shares of any of our subsidiaries that is a PFIC. U.S. Holders should consult their tax advisors as to the availability and desirability of a mark-to-market election in the event we were determined to be a PFIC for a taxable year.

If a U.S. holder owns ordinary shares during any year in which we are a PFIC, the U.S. holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a PFIC or Qualified Electing Fund) with respect to the Company, generally with the U.S. holder's federal income tax return for that year.

U.S. holders should consult their tax advisors regarding whether we are a PFIC and the potential application of the PFIC rules.

Backup Withholding Tax and Information Reporting Requirements

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, Offer Shares made within the United States, or by a U.S. payor or U.S. middleman, to a holder of Offer Shares, other than an exempt recipient. A payor will be required to backup withhold from any payments of dividends on, or the proceeds from the sale or redemption of, Offer Shares within the United States, or by a U.S. payor or U.S. middleman, to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding requirements. The backup withholding rate is currently 28.0%.

Backup withholding is not an additional tax. An investor generally will be entitled to credit any amounts withheld under the backup withholding rules against the investor's U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

Foreign Asset Reporting

Certain U.S. holders who are individuals (and certain specified entities) are required to report information with respect to investments in Shares not held through an account with a domestic financial institution by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their Federal income tax return. U.S. holders that fail to report required information could become subject to substantial penalties. Investors are encouraged to consult with their own independent tax advisors about these and any other reporting obligations arising from their investment in Shares.

PLAN OF DISTRIBUTION

The Offering

The Selling Shareholder is offering 23,749,000 Offer Shares in the Offering, which consists of (i) private placements of 70% of the Offer Shares outside the United States and Turkey to institutional investors in offshore transactions in reliance on Regulation S under the Securities Act only to QIBs, and (ii) a public offering of 30% of the Offer Shares to retail and institutional investors in Turkey in reliance on Regulation S, in each case subject to the approval of the CMB. The allocation of Shares between the International Offering and the Domestic Offering is subject to change in accordance with applicable Turkish regulations.

In addition, 3,562,350 Additional Shares will be sold by the Selling Shareholder on the Closing Date for the purpose of covering over-allotments.

İş Investment as the Stabilization Manager may, after consultation with the International Managers, effect transactions with a view to supporting the market price of the Shares on Borsa Istanbul.

We have applied for listing of the Offer Shares on Borsa Istanbul under the symbol "MAVI."

Subject to the terms and conditions set out in the international underwriting agreement dated June 12, 2017 (the "**Underwriting Agreement**") among the Company, the Selling Shareholder and the International Managers, the Selling Shareholder agrees to sell to the International Managers, and the International Managers agree to procure purchasers for, or failing which, to themselves purchase from the Selling Shareholder, the Offer Shares to be sold in the International Offering. In addition, subject to the terms and conditions set out in the Underwriting Agreement, the International Managers agree to procure purchasers for, or failing which, to purchase Additional Shares to be sold by the Selling Shareholder to cover over-allotments, if any, in the International Offering.

Concurrently with the International Offering, the Selling Shareholder is offering Offer Shares in the Domestic Offering pursuant to the Domestic Prospectus. The Domestic Offering is being made pursuant to an intermediary and consortium agreement with a syndicate of Turkish financial institutions (the "**Domestic Syndicate**") led by İş Investment.

The following table sets forth the total number of Offer Shares that the International Managers and the Domestic Syndicate have agreed to severally, and not jointly, procure purchasers for (or, in the case of the International Managers, pursuant to the Underwriting Agreement, failing which to purchase themselves) in the Offering pursuant to the agreements described above.

Manager	Number of Offer Shares
Goldman Sachs International	12,616,656
Merrill Lynch International	7,569,994
Domestic Syndicate (led by İş Investment, as Domestic Coordinator and Domestic Bookrunner)	7,124,700
Total	**27,311,350**

The Offer Price was determined by the Selling Shareholder following recommendations from the Managers on the basis of the order book prepared during the bookbuilding process.

Prior to the Offering, there has been no public market for our securities. No assurance can be given as to the liquidity of the trading market for our shares. See "*Risk Factors—Risks Relating to an Investment in the Offer Shares—The Offer Shares may experience price and volume fluctuations*" and "*—Borsa Istanbul is smaller and less liquid than other major exchanges and may be more volatile, which may adversely affect the ability to trade the Offer Shares purchased in the Offering*."

The International Managers have the right to terminate the Underwriting Agreement in certain circumstances on or prior to the Closing Date. The Underwriting Agreement provides that the International Managers' obligations are subject to certain conditions precedent.

The Company and the Selling Shareholder have agreed to indemnify the International Managers against certain liabilities in connection with the offer and sale of the Offer Shares in the International Offering, or to contribute to payments that the International Managers may be required to make because of any of those liabilities.

The International Managers may resell Offer Shares in the United States to QIBs in reliance on Rule 144A. Any offer or sale of the Offer Shares in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Securities Exchange Act of 1934, as amended.

Lock-up Arrangements

The Company and the Selling Shareholder have agreed that, subject to certain exceptions, for a period of 180 days from the date of the Underwriting Agreement, neither they nor any of their subsidiaries or other affiliates over which they exercise management or voting control, nor any person on their behalf, will, without prior written consent of International Managers, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such offer, sale or disposal) any Shares (or any interest therein or in respect thereof) or securities convertible or exchangeable into or representing the right to receive Shares or any such substantially similar securities or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities, or otherwise enter into any transaction (including any derivative transaction) directly or indirectly, permanently or temporarily, to dispose of any Shares, or undertake any other transaction with the same economic effect as any of the foregoing or announce an offering of the Shares or any interest therein or announce publicly any intention to enter into any transaction described above.

In addition, under a mandatory lock-up requirement imposed by Turkish capital markets regulations, the Selling Shareholder may not (i) sell Shares on Borsa Istanbul below the Offer Price or (ii) execute any transaction that would have the same effect as selling Shares below the Offer Price within a period of one year after the commencement of trading in the Offer Shares on Borsa Istanbul. Persons buying Shares through off-exchange transactions after the commencement of trading are subject to the same restriction; the Selling Shareholder is obligated to inform prospective buyers in such transactions of this restriction.

Stabilization

The Selling Shareholder has agreed to allocate the Stabilization Funds (i.e., gross proceeds from the sale of up to 3,562,350 Class B Shares, amounting to 15% of the gross proceeds of the Offering), to the Stabilization Manager, to conduct price stabilization activities in accordance with the terms and conditions of the stabilization agreement between the Stabilization Manager and the Selling Shareholder dated May 25, 2017. The Stabilization Manager may, after consultation with the International Managers, use the Stabilization Funds to effect transactions with a view to supporting the market price of the Shares on Borsa Istanbul at levels higher than those which might otherwise prevail for a limited period after the Offer Price is announced.

In accordance with the regulations of the CMB, stabilizing activities may be carried on for the Stabilization Period (i.e., a maximum period of 30 days following the first trading date) and may be effected only on Borsa Istanbul. Orders can be given only to stop a decline in the share price, may not be given at prices above the Offer Price and must otherwise comply with the regulations of the CMB and Borsa Istanbul. Such transactions must be brought to an end at the expiry of the Stabilization Period or, if earlier, once the Stabilization Funds have been fully utilized. No representation is made as to the magnitude or effect of any such stabilizing or other transactions and any such activities or transactions would not constitute a guarantee of any share price. The Stabilization Manager is not obliged to engage in stabilization activities and may, upon notice of this on the Public Disclosure Platform, discontinue any of these activities at any time. Any stabilization action must be conducted by the Stabilization Manager (or persons acting on behalf of the Stabilization Manager) in accordance with all applicable laws and rules.

Following the Stabilization Period, the Stabilization Manager will transfer to the Selling Shareholder (i) if no stabilization activities were conducted, the total amount of Stabilization Funds, or (ii) if stabilization activities were conducted, the Shares purchased through stabilization activities together with the remaining amount of Stabilization Funds.

Subscription, Settlement and Trading

Payment for the Offer Shares is expected to be in Turkish Lira in same-day funds. Prospective purchasers of the Offer Shares who do not maintain a custody account in Turkey, must open a custody account with a recognized Turkish depositary in order to make payments of Turkish Lira and receive Offer Shares. Prospective purchasers must provide details of such custody accounts to the International Managers no later than June 12, 2017. The Offer Shares will be delivered to a purchaser's Turkish custody account on or about the Closing Date by means of book-entry registration, subject to timely and satisfactory provision of account details.

Selling Restrictions

General

No action has been or will be taken in any jurisdiction other than Turkey that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this offering circular or any other material relating to the Company or the Offer Shares in any jurisdiction where action for that purpose is required.

Each purchaser of Offer Shares will be deemed to have made certain acknowledgements, representations and agreements as described under "*Transfer Restrictions*."

European Economic Area

In relation to each Relevant Member State, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") an offer to the public of any Offer Shares may not be made in that Relevant Member State in that Relevant Member State, except that an offer of the Offer Shares to the public in that Relevant Member State with effect from and including the Relevant Implementation Date may be made under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities, which are Qualified Investors as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than Qualified Investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Managers for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Offer Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of any Offer Shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information of the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Offer Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Offer Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances, which may give rise to an offer of any Offer Shares to the public, other than their offer or resale in a Relevant Member State to qualified investors who are not financial intermediaries, as so defined, or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale.

The Company, the Managers and their respective affiliates, and others will rely (and the Company acknowledges that the Managers and their affiliates and others will rely) upon the truth and accuracy of the foregoing representations, acknowledgements, and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the consent of the Managers, be permitted to purchase Offer Shares.

Turkey

The Domestic Prospectus for use in the Domestic Offering has been prepared in accordance with the relevant Turkish regulations and was approved by the CMB pursuant to the provisions of the Capital Markets Law. Such approval does not constitute a guarantee or a recommendation by the CMB or any other public authority with respect to the Offer Shares or the Company. Neither this offering circular nor any other offering material related to the International Offering may be used in connection with any general offering to the public within the Republic of Turkey without the prior approval of the CMB. Prospective investors proposing to subscribe in the Domestic Offering should procure a copy of the Domestic Prospectus from authorized institutions in due course.

United Kingdom

This offering circular, and any other material in relation to the Offering described herein is only being distributed to, and is only directed at persons in the United Kingdom who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive ("**qualified investors**") that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); (ii) high net worth entities or other persons falling within Article 49(2)(a) to (d) of the Order; or (iii) persons to whom distributions may otherwise lawfully be made (all such persons together being referred to as "**Relevant Persons**") or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the UK Financial Services and Markets Act 2000 (the "**FSMA**"). The Offer Shares are only available to, and any investment or investment activity to which this offering circular relates is available only to, and will be engaged in only with, Relevant Persons). This offering circular and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Persons who are not Relevant Persons should not take any action on the basis of this offering circular and should not rely on it.

United States

The Offer Shares offered in the Offering have not been, and will not be, registered under the U.S. Securities Act and, accordingly, may not be offered or sold within the United States except in certain transactions exempt from, or in a transaction not subject to, the registration requirement of the U.S. Securities Act. The Managers propose to offer the Offer Shares to institutional investors outside the United States in accordance with Regulation S under the U.S. Securities Act.

DIFC

This offering circular relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). This offering circular is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering circular nor taken steps to verify the information set forth herein and has no responsibility for the offering circular. The shares to which this offering circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this offering circular you should consult an authorized financial advisor.

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law (Law No.25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Switzerland

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This offering circular has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the Offer Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering circular nor any other offering or marketing material relating to the Offering, the Company or the Offer Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this offering circular will not be filed with, and the offer of Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of Offer Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Offer Shares.

TRANSFER RESTRICTIONS

As a result of the following restrictions, we advise you to contact legal counsel prior to making any resale, pledge or transfer of the Offer Shares.

The Offering is being made in reliance on Rule 144A and Regulation S. The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered or sold within the United States, except to QIBs in reliance on the exemption from the registration requirement of Section 5 under the U.S. Securities Act provided by Rule 144A and outside the United States in accordance with Regulation S. Terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as so defined.

Regulation S

Each purchaser of the Offer Shares outside the United States, by accepting delivery of this offering circular, will be deemed to have represented, agreed and acknowledged as follows:

(1) It (a) is aware that the sale of the Offer Shares to it is being made pursuant to and in accordance with Rule 903 or 904 of Regulation S; (b) is, or at the time such Offer Shares are purchased will be, the beneficial owner of those Offer Shares; and (c) is located outside the United States (within the meaning of Regulation S) and it is purchasing the Offer Shares in an offshore transaction meeting the requirements of Regulation S.

(2) It is not our or the Selling Shareholder's affiliate, or a person acting on behalf of such an affiliate.

(3) It understands that the Offer Shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered, resold, pledged or otherwise transferred except in an offshore transaction in accordance with Rule 903 or 904 of Regulation S.

(4) It acknowledges that we, the Selling Shareholder, the Managers and our respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs.

We will not recognize any resale or other transfer, or attempted resale or other transfer, in respect of the Offer Shares made other than in compliance with the above-stated restrictions.

Rule 144A

Each purchaser of the Offer Shares within the United States, by accepting delivery of this offering circular, will be deemed to have represented, agreed and acknowledged as follows:

(1) It acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer.

(2) It is:

  (i) a QIB;

  (ii) aware, and each beneficial owner of such Offer Shares has been advised, that the sale to it is being made in reliance on Rule 144A; and

  (iii) acquiring such Offer Shares for its own account or for the account of a QIB.

(3) It agrees (or if it is acting for the account of another person, such person, has confirmed to it that such person agrees) that it (or such person) will not offer, resell, pledge or otherwise transfer those Offer Shares except (a) to a person whom it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (b) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; or (c) in accordance with Rule 144 under the U.S. Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States. The purchaser will, and each subsequent holder is required to, notify any subsequent purchaser from it of those Offer Shares of the resale restrictions referred to in (a), (b) and (c) above. No representation can be made as to the availability of the exemption provided by Rule 144 for resale of the Offer Shares.

(4) Notwithstanding anything to the contrary in the foregoing paragraphs, the Offer Shares may not be deposited into any unrestricted depositary facility established or maintained by a depositary bank, unless and until such time as those Offer Shares are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act.

(5) If it is acquiring Offer Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(6) It acknowledges that we, the Managers and our respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs.

We will not recognize any resale or other transfer, or attempted resale or other transfer, in respect of the Offer Shares made other than in compliance with the above-stated restrictions.

Prospective purchasers are hereby notified that sellers of Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

Transferability of Offer Shares

Subject to the limitations described herein, the Offer Shares may be sold and transferred by means of book-entry registration with accounts maintained with the Central Registry Agency. See "*Description of Our Share Capital—Transfer of Shares*."

Turkish law requires non-resident investors to trade Turkish equity securities through a licensed Turkish bank or brokerage firm. In addition, the CMB regulations require banks or brokerage firms to trade shares of a company quoted on a Turkish stock exchange exclusively on such exchange. The CMB has indicated that this requirement applies only to intermediary institutions (banks or brokers) licensed for trading on the stock exchange and to trade orders placed with them by investors. Accordingly, following the Offering, our shareholders that are not resident in Turkey may transfer the Offer Shares only on Borsa Istanbul through a bank or a brokerage firm licensed in Turkey.

LEGAL MATTERS

Certain legal matters with respect to the Offering will be passed upon for the Company by Baker & McKenzie LLP as to English law and by Baker & McKenzie Partnerschaft von Rechtsanwälten, Wirtschaftsprüfern und Steuerberatern mbB as to U.S. federal law. Certain legal matters relating to Turkish law will be passed upon for the Company by Esin Avukatlık Ortaklığı, a member firm of Baker & McKenzie International.

Certain legal matters with respect to the Offering will be passed upon for the Managers by White & Case LLP as to English law and U.S. federal law. Certain legal matters relating to Turkish law will be passed upon for the Managers by Çakmak–Gökçe Avukatlık Bürosu.

INDEPENDENT AUDITOR

The consolidated financial statements of Mavi Giyim Sanayi ve Ticaret A.Ş. for Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016 included in this offering circular have been audited by our independent auditor, KPMG, whose report thereon is included in this offering circular.

The address of KPMG is: Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of KPMG International Cooperative), Kavacık Rüzgarlı Bahçe Mah., Kavak Sok.No:29, 34805 Beykoz/Istanbul, Turkey.

FINANCIAL STATEMENTS

Audited Consolidated Financial Statements of the Company as at and for the fiscal years ended January 31, 2017, 2016 and 2015

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.
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Independent Auditor's Report

To the Shareholders of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi

Opinion

We have audited the consolidated financial statements of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at 31 January 2017, 2016 and 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial positions of the Group as at 31 January 2017, 2016 and 2015, and of its consolidated financial performances and its consolidated cash flows for the three years then ended in accordance with International Financial Reporting Standards (I FRS).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

KPMG

our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Serkan Ercin, Partner
5 April 2017
istanbul, Turkey

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Financial Position
As at 31 January 2017, 2016 and 2015
(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated.)

	Notes	**31 January 2017**	**31 January 2016 Restated (1)**	**31 January 2015 Restated (1)**
ASSETS				
Current assets				
Cash and cash equivalents	*5*	158,056,210	111,374,352	92,175,560
Trade receivables		109,381,356	74,659,708	78,415,363
- Due from related parties	*7*	4,059,449	1,730,377	857,191
- Due from third parties	*8*	105,321,907	72,929,331	77,558,172
Other receivables		21,491,129	13,116,025	14,129,127
- Due from third parties	*9*	21,491,129	13,116,025	14,129,127
Derivatives	30	7,335,934	2,943,292	334,309
Inventories	*10*	287,843,785	177,346,064	154,723,797
Prepayments	*11*	20,388,055	15,655,436	16,021,253
Current tax asset	*28*	5,286,472	3,872,871	6,377,698
Other current assets	*18*	15,596,832	12,976,373	9,642,184
Total current assets		**625,379,773**	**411,944,121**	**371,819,291**
Non-current assets				
Other receivables		2,013,418	1,342,220	1,249,052
- Due from third parties	*9*	2,013,418	1,342,220	1,249,052
Prepayments	*11*	68,334	248,096	478,333
Property and equipment	*12*	136,579,232	114,807,993	100,217,638
Intangible assets	*13*	55,551,322	14,530,833	12,316,372
Goodwill	*14*	67,631,122	3,558,789	4,868,243
Deferred tax assets	*28*	6,745,902	5,035,639	4,451,546
Total non-current assets		**268,589,330**	**139,523,570**	**123,581,184**
TOTAL ASSETS		**893,969,103**	**551,467,691**	**495,400,475**

1 See Note 2.

The accompanying notes form an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Financial Position (continued)
As at 31 January 2017, 2016 and 2015
(Amounts are expressed in Türkish Lira ("TL"), unless otherwise stated.)

	Notes	**31 January 2017**	**31 January 2016 Restated (1)**	**31 January 2015 Restated (1)**
LIABILITIES				
Current liabilities				
Loans and borrowings	*6*	230,815,083	146,921,163	146,601,101
Trade payables		299,515,567	213,722,682	199,977,434
- *Due to related parties*	*7*	108,740,109	48,019,493	48,989,178
- *Due to third parties*	*8*	190,775,458	165,703,189	150,988,256
Payables to employees	*17*	14,848,665	15,024,812	12,334,589
Other payables		53,849,708	3,403,715	4,384,913
- *Due to related parties*	*7*	43,493,517	—	—
- *Due to third parties*	*9*	10,356,191	3,403,715	4,384,913
Current tax liabilities	*28*	203,253	282,971	2,276,394
Provisions		10,630,074	6,881,502	4,252,020
- *Provisions for employee benefits*	*15*	2,159,414	862,107	733,709
- *Other provisions*	*15*	8,470,660	6,019,395	3,518,311
Deferred revenue	*11*	11,985,224	10,738,389	8,733,883
Other current liabilities	*18*	9,746,468	5,288,211	1,610,442
Total current liabilities		**631,594,042**	**402,263,445**	**380,170,776**
Non-current liabilities				
Loans and borrowings	*6*	105,208,694	42,475,111	44,556,337
Provisions		3,150,839	2,976,994	1,948,617
- *Provisions for employee benefits*	*15*	3,150,839	2,976,994	1,948,617
Deferred revenue	*11*	118,601	—	—
Other payables	*7*	—	8,073,000	6,849,250
- *Due to related parties*		—	8,073,000	6,849,250
Deferred tax liabilities	*28*	13,397,761	54,185	226,272
Total non-current liabilities		**121,875,895**	**53,579,290**	**53,580,476**
TOTAL LIABILITIES		**753,469,937**	**455,842,735**	**433,751,252**
EQUITY				
Equity attributable to owners of the Company				
Share capital		49,657,000	49,657,000	49,657,000
Reserves		(16,719,776)	(22,374,079)	(23,021,517)
Retained earnings		115,796,716	68,342,035	35,013,740
Equity attributable to owners of the Company		**148,733,940**	**95,624,956**	**61,649,223**
Non-controlling interests		(8,234,774)	—	—
Total equity		**140,499,166**	**95,624,956**	**61,649,223**
TOTAL EQUITY AND LIABILITIES		**893,969,103**	**551,467,691**	**495,400,475**

1 See note 2.

The accompanying notes form an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the years ended 31 January 2017, 2016 and 2015
(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated.)

	Notes	31 January 2017	31 January 2016 Restated (1)	31 January 2015
Revenue	*20*	1,307,933,672	1,052,807,320	895,070,863
Cost of sales	*21*	(640,915,023)	(528,395,125)	(460,225,642)
Gross profit		**667,018,649**	**524,412,195**	**434,845,221**
Administrative expenses	*22*	(76,669,539)	(55,614,721)	(47,657,482)
Selling and marketing expenses	*22*	(448,336,188)	(357,951,334)	(294,614,173)
Research and development expenses	*23*	(18,656,506)	(15,661,612)	(14,554,970)
Other income	*24*	1,924,394	2,819,082	713,286
Other expenses	*24*	(1,600,746)	(7,217,594)	(4,535,265)
Operating profit		**123,680,064**	**90,786,016**	**74,196,617**
Finance income	*26*	15,311,151	11,111,673	2,243,289
Finance costs	*27*	(70,530,719)	(55,838,134)	(47,685,967)
Net finance costs		**(55,219,568)**	**(44,726,461)**	**(45,442,678)**
Profit before tax		**68,460,496**	**46,059,555**	**28,753,939**
Income tax expense		**(16,647,273)**	**(12,606,612)**	**(9,869,391)**
- Tax expense	*28*	(15,524,252)	(13,139,968)	(5,365,506)
- Deferred tax income/(expenses)	*28*	(1,123,021)	533,356	(4,503,885)
Profit		**51,813,223**	**33,452,943**	**18,884,548**
Profit attributable to:				
Owners of the Company		50,064,008	33,452,943	18,884,548
Non-controlling interests		1,749,215	—	—
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit liability	*16*	(312,514)	(1,015,774)	(990,845)
- Related tax		62,503	203,155	198,169
Items that are or may be reclassified to profit or loss				
Foreign operations—foreign currency translation differences		435,692	1,335,409	3,078,109
Other comprehensive income net of tax		**185,681**	**522,790**	**2,285,433**
Total comprehensive income attributable to:				
Owners of the Company		53,110,899	33,975,733	21,169,981
Non-controlling interests		(1,111,995)	—	—
Total comprehensive income		**51,998,904**	**33,975,733**	**21,169,981**
Earnings per share	***29***			
Basic earnings per share	*29*	1.0082	0.6737	0.3803
Diluted earnings per share	*29*	1.0082	0.6737	0.3803
Earnings before interest, tax, depreciation and amortization **(EBITDA)**	*38*	**170,209,508**	**131,012,773**	**103,239,297**

1 See Note 2.

The accompanying notes form an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Statements of Changes In Equity

For the years ended 31 January 2017, 2016 and 2015

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

				Other comprehensive income not to be reclassified to profit or loss		Other comprehensive income to be reclassified to profit or loss	Retained earnings		
	Share capital	Legal reserves	Purchase of share of entities under common control	Remeasurements of defined benefit liability	Other reserves	Foreign currency translation reserve	Retained earnings	Net profit	Total equity
Balance as at 1 February 2014	**43,948,879**	**9,631,034**	**(35,757,281)**	**(2,606,179)**	**(4,079,773)**	**2,441,585**	**18,449,624**	**36,895,914**	**68,923,803**
Impact of correction of errors (1)	5,708,121	—	—	—	—	—	(5,708,121)	—	—
Restated balance as at 1 February 2014	**49,657,000**	**9,631,034**	**(35,757,281)**	**(2,606,179)**	**(4,079,773)**	**2,441,585**	**12,741,503**	**36,895,914**	**68,923,803**
Profit	—	—	—	—	—	—	—	18,884,548	18,884,548
Other comprehensive income	—	—	—	(792,676)	—	3,078,109	—	—	2,285,433
Total comprehensive income	**—**	**—**	**—**	**(792,676)**	**—**	**3,078,109**	**—**	**18,884,548**	**21,169,981**
Transactions with owners of the Company									
Transfers	—	5,063,664	—	—	—	—	31,832,250	(36,895,914)	—
Dividends	—	—	—	—	—	—	(28,444,561)	—	(28,444,561)
Total transactions with owners of the Company	**—**	**5,063,664**	**—**	**—**	**—**	**—**	**3,387,689**	**(36,895,914)**	**(28,444,561)**
Total balance as at 31 January 2015	**49,657,000**	**14,694,698**	**(35,757,281)**	**(3,398,855)**	**(4,079,773)**	**5,519,694**	**16,129,192**	**18,884,548**	**61,649,223**
Balance as at 1 February 2015	**43,948,879**	**14,694,698**	**(35,757,281)**	**(3,398,855)**	**(4,079,773)**	**5,519,694**	**21,837,313**	**18,884,548**	**61,649,223**
Impact of correction of errors (1)	5,708,121	—	—	—	—	—	(5,708,121)	—	—
Restated balance as at 1 February 2015	**49,657,000**	**14,694,698**	**(35,757,281)**	**(3,398,855)**	**(4,079,773)**	**5,519,694**	**16,129,192**	**18,884,548**	**61,649,223**
Profit for the year	—	—	—	—	—	—	—	33,452,943	33,452,943
Other comprehensive income	—	—	—	(812,619)	—	1,335,409	—	—	522,790
Total comprehensive income	**—**	**—**	**—**	**(812,619)**	**—**	**1,335,409**	**—**	**33,452,943**	**33,975,733**
Transactions with owners of the Company									
Transfers	—	124,648	—	—	—	—	18,759,900	(18,884,548)	—
Total transactions with owners of the Company	**—**	**124,648**	**—**	**—**	**—**	**—**	**18,759,900**	**(18,884,548)**	**—**
Total balance as at 31 January 2016	**49,657,000**	**14,819,346**	**(35,757,281)**	**(4,211,474)**	**(4,079,773)**	**6,855,103**	**34,889,092**	**33,452,943**	**95,624,956**

1 See Note 2.

The accompanying notes form an integral part of these consolidated financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Changes In Equity
For the years ended 31 January 2017, 2016 and 2015
(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated.)

				Other comprehensive income not to be reclassified to profit or loss		Other comprehensive income to be reclassified to profit or loss	Retained earnings				
	Share capital	Legal reserves	Purchase of share of entities under common control	Remeasurements of defined benefit liability	Other reserves	Foreign currency translation reserve	Retained earnings	Net profit	Total	NCI	Total equity
Balance as at 1 February 2016	**43,948,879**	**14,819,346**	**(35,757,281)**	**(4,211,474)**	**(4,079,773)**	**6,855,103**	**40,597,213**	**36,313,177**	**98,485,190**	**—**	**98,485,190**
Impact of correction of errors (1)	5,708,121	—	—	—	—	—	(5,708,121)	(2,860,234)	(2,860,234)	—	(2,860,234)
Restated balance as at 1 February 2016	**49,657,000**	**14,819,346**	**(35,757,281)**	**(4,211,474)**	**(4,079,773)**	**6,855,103**	**34,889,092**	**33,452,943**	**95,624,956**	**—**	**95,624,956**
Profit	—	—	—	—	—	—	—	50,064,008	50,064,008	1,749,215	51,813,223
Other comprehensive income	—	—	—	(250,011)	—	3,296,902	—	—	3,046,891	(2,861,210)	185,681
Total comprehensive income	**—**	**—**	**—**	**(250,011)**	**—**	**3,296,902**	**—**	**50,064,008**	**53,110,899**	**(1,111,995)**	**51,998,904**
Transactions with owners of the Company											
Acquisition of subsidiary with NCI (Note 4)	—	—	—	—	—	—	(1,915)	—	(1,915)	(7,122,779)	(7,124,694)
Transfers	—	2,607,412	—	—	—	—	30,845,531	(33,452,943)	—	—	—
Total transactions with owners of the Company	**—**	**2,607,412**	**—**	**—**	**—**	**—**	**30,843,616**	**(33,452,943)**	**(1,915)**	**(7,122,779)**	**(7,124,694)**
Total balance as at 31 January 2017	**49,657,000**	**17,426,758**	**(35,757,281)**	**(4,461,485)**	**(4,079,773)**	**10,152,005**	**65,732,708**	**50,064,008**	**148,733,940**	**(8,234,774)**	**140,499,166**

1 See Note 2.

The accompanying notes form an integral part of these consolidated financial statements.

	Notes	31 January 2017	31 January 2016 Restated (1)	31 January 2015
Cash flow from operating activities				
Net profit for the year		**51,813,223**	**33,452,943**	**18,884,548**
Depreciation and amortization expense	25	46,529,444	40,226,757	29,042,680
Finance income		(706,682)	(327,674)	(785,847)
Finance cost		49,581,598	42,245,985	32,834,339
Provision for unused vacation	15	873,819	123,273	12,412
Provision for employee severance indemnity	25	2,409,072	2,443,549	1,799,699
Fair value change of derivatives		(7,335,934)	(2,943,292)	(334,309)
Impairment loss on receivables	34	831,612	1,230,815	528,741
Impairment loss on intangible assets	24	—	—	2,781,052
Inventory obsolescence, reversals	10	(5,771,671)	5,885,376	(4,963,216)
Impairment loss on goodwill	24	19,401	544,758	336,474
Loss on disposal of property and equipment, net		148,547	1,662,134	666,432
Tax expense	28	16,647,273	12,606,612	9,869,391
Unrealized currency translation difference		16,481,102	(1,159,496)	8,110,261
		171,520,804	**135,991,740**	**98,782,657**
Changes in:				
Change in trade receivables		(17,238,607)	(797,279)	(7,215,694)
Change in inventory		(79,695,489)	(13,882,138)	160,899
Change in prepaid expenses		(3,847,390)	(10,515,506)	(8,689,520)
Change in receivables from related parties		(2,329,072)	(2,941,640)	521,054
Change in other receivables		(9,049,308)	(1,689,049)	(3,598,576)
Change in other current and non-current assets		(809,825)	(6,293,405)	2,887,616
Change in employee benefits liabilities		(375,846)	2,647,125	4,044,162
Change in trade payables		13,005,629	14,568,257	39,448,428
Change in payables to related parties		62,664,358	(934,248)	(6,267,453)
Change in deferred revenue		1,365,436	3,677,769	8,733,883
Change in other payables		6,952,476	(379,188)	1,519,937
Change in short term and long term provisions		664,201	5,362,134	2,610,432
Change in other liabilities		4,365,966	3,228,256	(13,238,039)
		147,193,333	**128,042,828**	**119,699,786**
Employee benefits paid	16	(3,179,989)	(2,455,453)	(2,707,679)
Income tax paid	20	(16,108,950)	(12,628,562)	(6,634,391)
Net cash from operating activities		**127,904,394**	**112,958,813**	**110,357,716**
Cash flows from investing activities				
Acquisition of tangible assets	10	(54,739,149)	(50,710,130)	(56,096,805)
Proceeds from sale of tangible assets	10	289,463	1,145,853	269,854
Acquisition of intangible assets	11,12	(7,830,779)	(6,430,417)	(5,396,188)
Acquisition of subsidiary, net of cash acquired	4	(16,229,097)	—	—
Proceeds from sale of intangible assets	11	6,170	11,638	14,213
Interest received		709,688	371,533	785,847
Net cash flow used in investing activities		**(77,793,704)**	**(55,611,523)**	**(60,423,079)**
Dividends paid	19	—	—	(28,444,561)
Proceeds from loans and borrowings		1,522,043,686	1,033,017,937	153,200,158
Proceeds of settlement of derivatives		2,943,292	5,902,508	564,745
Repayment of loans and borrowings		(1,482,001,572)	(1,034,627,819)	(123,695,604)
Other financial payments		(30,480,182)	(25,309,573)	(17,371,078)
Interest paid		(18,589,029)	(17,572,585)	(14,631,237)
Net cash flow used in financing activities		**(6,083,805)**	**(38,589,532)**	**(30,377,577)**
Net increase in cash and cash equivalent		**44,026,885**	**18,757,758**	**19,557,060**
Cash and cash equivalents at the beginning of the year	5	110,804,855	92,047,097	72,490,037
Cash and cash equivalents at the end of the year	5	**154,831,740**	**110,804,855**	**92,047,097**

1 See Note 2.

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Reporting entity

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

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

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

The primary shareholder of the Company as at 31 January 2017 is Blue International Holding B.V. ("Blue International") with 100.00% ownership (31 January 2016 and 2015: Blue International with 99.9901% ownership).

The consolidated financial statements as at 31 January 2017 include financial position and the results of Mavi Giyim, Mavi Europe AG ("Mavi Europe"), Mavi Nederland BV ("Mavi Nederland") and Mavi LLC ("Mavi Russia"), Eflatun Giyim Yatırım Ticaret Anonim Şirketi ("Eflatun Giyim"), Mavi Jeans Incorporated ("Mavi Canada"), Mavi Jeans Incorporated ("Mavi United States of America ("USA")), Mavi Kazakhstan LLP and its subsidiaries are referred here as the ("Group") and individually ("the Group Company") in this report.

The ownership interest of and voting power held by the Company as at and for the years ended 31 January 2017, 2016 and 2015 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding % 31 January 2017	31 January 2016	31 January 2015
Mavi Europe	Germany	Wholesale and retail sales of apparel	87.50	87.50	87.50
Mavi Nederland	Netherland	Wholesale sales of apparel	100.00	100.00	100.00
Mavi Russia	Russia	Wholesale and retail sales of apparel	100.00	100.00	100.00
Mavi Kazakhstan	Kazakhstan	Retail sales of apparel	100.00	100.00	100.00
Eflatun Giyim	Turkey	Holding company	51.00	—	—
Mavi Canada (1)	Canada	Wholesale and retail sales of apparel	38.25	—	—
Mavi USA	USA	Wholesale and retail sales of apparel	51.00	—	—

(1) The group holds %51 percent voting right in Mavi Canada.

As of 31 January 2017, Group's total number of employees is 3,340 (31 January 2016: 2,952 and 31 January 2015: 2,673).

2 Basis of presentation of financial statements

2.1 Basis of accounting

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB.

The consolidated financial statements were authorised for issue by the Board of Directors on 5 April 2017. General Assembly has the authority to modify the consolidated financial statements.

2 Basis of presentation of financial statements (continued)

2.1 Basis of accounting (continued)

(b) Basis of measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and contingent payment for the acquisition of Eflatun shares which are measured at fair value. The methods used to measure fair values are discussed further in Note 2.2 (r).

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

(c) Functional and presentation currency

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") which is the Company's functional currency. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

These accompanying consolidated financial statements are presented in TL which is the Company's functional currency except when the otherwise indicated.

The table below summarises functional currencies of the Group entities.

Company	Functional currency
Mavi Giyim	TL
Mavi Europe	Euro ("EUR")
Mavi Nederland	EUR
Mavi Russia	Rouble ("RBL")
Mavi Kazakhstan	Kazakhstan Tenge ("KZT")
Eflatun Giyim	TL
Mavi USA	US Dollars ("USD")
Mavi Canada	Canada Dollars ("CAD")

(d) Use of judgements and estimates

In preparing these consolidated financial statements management has made judgements, estimates, and assumptions that affects the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgements made in applying accounting policies that may have most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 19 Put option liabilities: NCI subject to the put is presented as attributable to the owners of the parent.
- Note 31 Leases: Lease classifications.

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment is included in the following notes:

- Note 4 Acquisition of subsidiary: Fair values are measured on a provisional basis.
- Note 10 Inventory: Allowance for inventory impairment.

2 Basis of presentation of financial statements (continued)

2.1 Basis of accounting (continued)

(d) Use of judgements and estimates (continued)

- Note 11 Deferred revenue: Estimation of loyalty credits that can be redeemed in the next years.
- Note 12 and 13 Property and equipment and intangibles: Useful lives.
- Note 13 and 14 Impairment of intangible assets including goodwill: Key assumptions, underlying recoverable amounts.
- Note 16 Provision for employee termination benefits: Key actuarial assumptions.
- Note 15 Provisions for sales returns and discounts: Estimation of return and discount, provision for upcoming months using the historical data.
- Note 34 Trade receivables: Allowance for doubtful receivables.

2.2 Summary of significant accounting policies

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

Certain comparative amounts in the statement of financial position and profit or loss and other comprehensive income have been reclassified or represented, either as a result of correction of errors (see Note 2.q) or change in classification to conform current year presentation.

(a) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the parent company and its subsidiaries on the basis set out in the section below.

Subsidiaries are consolidated based on the following methods:

- Mavi Russia, Mavi Netherland and Mavi Kazakhstan are fully consolidated without non-controlling interest.
- Mavi Europe is fully consolidated of which non-controlling interest subject to put option is derecognized.
- Eflatun Giyim, Mavi Canada and Mavi USA are fully consolidated. Non-controlling interest has been accounted for Eflatun.

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value as the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognized in profit, or loss immediately.

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

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

iii) Non-controlling interests

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Mavi Europe has written a put option agreement with the non-controlling shareholders on their equity interests in that subsidiary. The put option granted to the non-controlling shareholders provides for settlement in cash. The Group recognises a liability for the present value of the exercise price of the option price. As the NCI still have present access to the returns associated with the underlying ownership interests, the contract is accounted for as an anticipated acquisition of the underlying NCI as if the put option had been exercised already by the non-controlling shareholders. Under the anticipated-acquisition method, the interests of the non-controlling shareholders that hold the written put options are derecognised when the financial liability is recognised. This is because the recognition of the financial liability implies that the interests subject to the put options are deemed to have been acquired already. Therefore, the underlying interests are presented as already owned by the Group, both in the statement of financial position and in the statement of profit or loss and OCI, even though legally they are still NCI. In other words, profits and losses attributable to the holder of the NCI subject to the put are presented as attributable to the owners of the parent and not as attributable to those non-controlling shareholders. Subsequent to initial recognition, the Group recognises changes in the carrying amount of the put liability in profit or loss. Gains or losses on the foreign currency translation of put option liability are recognised in profit or loss.

Changes in the Group's share in subsidiaries that do not result in loss of control are accounted for as equity transactions.

iv) Transactions eliminated on consolidation

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

v) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparative periods are restated. The restatement does not extend to periods during which the entities were not under common control. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Company's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Company equity and any gain/loss arising is recognised directly in equity.

(b) Foreign currency

i) Foreign currency transactions

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

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

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(b) Foreign currency (continued)

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated via monthly average exchange rates.

Foreign currency differences are recognised in other comprehensive income and accumulated into the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

The Group and subsidiaries use either TL, EUR, RUB, USD, CAD or KZT as functional currencies since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group and subsidiaries and reflect the economic substance of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies. The Group uses TL as the reporting currency.

The financial statements of subsidiaries that report in the currency of an economy formerly accepted as hyperinflationary (Turkey) are restated in terms of the measuring unit current at the reporting dates as the reporting currency. The above-mentioned decision dated 17 March 2005 as a result of the application of hyperinflation accounting ended as of 31 December 2005 and TL came off as not highly inflationary status for the period beginning after 1 January 2006.

The foreign currency exchange rates as at balance sheet date of the related periods are as follows:

	31 January 2017	31 January 2016	31 January 2015
EUR / TL	4.0983	3.2292	2.7397
USD / TL	3.8324	2.9609	2.4176
RUB / TL	0.0635	0.0389	0.0343
KZT / TL	0.0106	0.0081	0.0133
CAD / TL	2.9111	2.1062	1.9074

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

	2016	2015	2014
EUR / TL	3.4002	3.0628	2.8788
USD / TL	3.0847	2.7752	2.1980
RUB / TL	0.0471	0.0447	0.0549
KZT / TL	0.0090	0.0123	0.0121
CAD / TL	2.3373	—	—

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(c) Financial instruments

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

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

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

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

(ii) Non-derivative financial assets—measurement

Loans and receivables

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

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

Cash and cash equivalents

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

(iii) Non-derivative financial liabilities—measurement

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

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

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

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derivative financial instruments

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

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

(d) Share capital

(i) Ordinary shares

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

(ii) Recognition and measurement

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

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

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain and loss on disposal of an item of property and equipment is recognised in profit or loss.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

Property, plant and equipment are depreciated from the date they are available for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognised in profit, or loss.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of lease term. Land is not subject to depreciation.

The estimated useful lives for the current and comparative periods are as follows:

- Vehicles (5) years
- Furniture and fixtures (3-15) years
- Leasehold improvements shorter of (1-10) years or lease term

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

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(e) Intangible assets and goodwill

(i) Recognition and measurement

Goodwill

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

Intangible assets recognised in a business combination

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

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Except for goodwill, customer relationship and intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Trademark (15) years
- Licenses (3-20) years
- Customer relationships (9-13) years

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

(f) Inventories

Inventories are measured at the lower of cost or net realizable value.

The cost of inventories is based on first-in first-out principle, and includes expenditure incurred for the purchase and bringing the items to their current condition. Net realizable value is the estimated selling price, in the ordinary course of business, less estimated costs of completion and estimated costs to sell. Net realizable value write-downs are evaluated in product groups and for particular seasons such as fall/winter and spring/summer.

(g) Impairment

(i) Non-derivative financial assets

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

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(g) Impairment (continued)

(i) Non-derivative financial assets (continued)

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

Financial assets measured at amortised cost

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

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

(ii) Non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs ("Cash Generating Unit"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of CGU.

An impairment loss is recognised if the carrying amount of an asset of CGU exceed its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(h) Employee benefits

(i) Long term employee benefits

Provision for employee termination benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. Such payments are calculated on the basis of 30 days' pay, limited to a maximum of TL 4,426 at 31 January 2017 (31 January 2016: TL 4,093 and 31 January 2015: TL 3,541) per year of employment at the rate of pay applicable at the date of retirement or termination. Employee benefits represent the present value of the estimated future probable obligation of the Company arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. Severance payment provisions are not subject to legal funding.

In accordance with the Russian Labor Law (the Article 178 "Dismissal allowances", Chapter 27, Section VII "Guarantees and compensations"), when the Group company unilaterally terminates the employment agreement, employer should inform the employee two months before position cancelling date. After two months, at the date of dismissal, employer is required to pay the employee a dismissal compensation at the amount of one month average wage. In case the employee can't find an employment during two preceding months after the dismissal date, employee has right to request average wages of two unemployed months from the Group company.

IAS 19 "Employee Benefits" requires actuarial valuation method to be developed to estimate the enterprise's obligation under defined benefit plans. Consequently, in the accompanying consolidated financial statements, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees, as of 31 January 2017, 2016 and 2015 basic assumptions are presented as follows:

	31 January 2017	31 January 2016	31 January 2015
	%	%	%
Discount rate	5.19	4.72	3.81
Inflation rate	6.00	6.00	5.00

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

The Group has not recorded any reserve for employee severance payments for its employees in foreign subsidiaries since only under very specific circumstances a company is liable to pay a severance according to labour laws of the foreign entities.

(ii) Short term employee benefits

Short-term employee benefit obligations are consisting of reserve for the vacation pay liability due to the earned and unused vacation rights of its employees. Group are obliged to make payments for unused vacation days in the amount of the employment contract is terminated on the date of the daily gross wage and contract related interests on the total payment. The Group provides reserve for the vacation pay liability due to the earned and unused vacation rights of its employees.

Vacation pay liability is measured on an undiscounted basis and is recognised in profit or loss as the related service is provided.

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(i) **Provisions; contingent liabilities and contingent assets**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money where appropriate and the risks specific to the liability.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities are disclosed in the notes to the consolidated financial statements.

If the entry of the economic benefit to the Group is possible, explanations are included in the disclosures of the consolidated financial statements about the contingent asset if the entry of economic benefit is certain, the asset and its related income changes are included in the consolidated financial statements at the date that they occurred.

(j) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

a) A person or a close member of that person's family is related to a reporting entity if that person:

i. has control or joint control of the reporting entity;

ii. has significant influence over the reporting entity; or

iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii. Both entities are joint ventures of the same third party.

iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity,

v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi. The entity is controlled or jointly controlled by a person identified in (a).

vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(k) Revenue

(i) Sale of goods

In overall, the Group has wholesale, retail and e-commerce business. Retail sales represent sales to consumers at mono-brand Mavi stores that the Group operates themselves. Revenue is recognized when the

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(k) Revenue (continued)

(i) Sale of goods (continued)

significant risk and rewards of ownership have been transferred to the buyer. Revenue from the sale of goods through retail business in the course of ordinary activities is measured at the fair value of the consideration received in cash or credit card. The discount is recognized as a reduction of revenue as the sales are recognized.

Wholesale sales are to third-party retailers that then on-sell to consumers. The wholesale channel includes Mavi mono-brand stores operated by franchisees, department store chains, corner shops, and third-party online channels. The Group signs franchise agreements with franchises. However, the Group does not send consignment inventory to these franchises nor does the Group earn franchise fees on these agreements. The Group recognizes revenues from franchisees on a principal basis as gross when the significant risk and rewards of ownership have been transferred to the franchisees.

In addition, the Group has consignments in certain department stores. Revenue from these consignments is recognized only after they are sold to the end customer as defined above. E-Commerce represents direct sales that the Group makes to consumers on own mavi.com websites. Revenue from the sale of goods through wholesale business in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The Group also generates revenue in the form of royalty fees paid by its Australian franchisee.

Corporate card sales to corporate customers are initially recognized as deferred revenue and the revenue is recognized when the card is used by the ultimate customer. Corporate cards given to customers during the reporting period are valid until a specific maturity date. Unused balance of the corporate cards are recognized as revenue following the expiration date.

Loyalty programme

For customer loyalty programmes, the fair value of the consideration receivable in respect of the initial sale is allocated to the “Kartuş Card Points”. The present fair value of the Kartuş Card Points, which can be redeemed as discount against future purchases by customers, is estimated by taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the points are redeemed and the Group has fulfilled its obligations to supply the discounted products. The amount of revenue recognized in those circumstances is based on the number of points that have been redeemed in exchange for discounted products, relative to the total number of points that is expected to be redeemed.

(l) Earnings per share

Earnings per shares is calculated by dividing the consolidated profit/(loss) for the period attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the period.

(m) Leasing transactions

(i) Leased assets

A lease of property, plant and equipment that transfers to the Group substantially all of the risks and rewards of ownership is classified as finance leases. The leased assets are measured initially at an amount equal to

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(m) Leasing transactions (continued)

(i) Leased assets (continued)

the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

(ii) Operating leases

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

(iii) Lease payments

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

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

(n) Research and development

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

(o) Finance income and finance cost

Finance costs comprise interest expense on borrowings, impairment losses recognised on financial assets, (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a gross basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(p) Tax

Tax expense comprises of current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(p) Tax (continued)

(i) Current tax (continued)

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

(ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax is not recognised for the following temporary differences:

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that is probable that future taxable profits will available against which they can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Company and its consolidated subsidiaries have reflected their deferred tax assets and liabilities in their financial statements, but there has been no netting on a consolidated basis.

(iii) Tax risk

The Group takes into account whether the Group has the uncertain tax position and the surcharge has to be paid and the tax liability while it determines the current tax expense and delayed tax expense. The assessment might include judgments about future events and is based on estimates and assumptions. In case there exists new information about the adequacy of the Group's current tax liability which will cause a change in the professional judgment; this change will affect the period which the situation emerges.

(iv) Transfer pricing

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via transfer pricing dated 18 November 2007 sets details about implementation.

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(p) Tax (continued)

(iv) Transfer pricing (continued)

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length basis, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as a tax deductible for corporate income tax purposes.

(q) Government grants

The Group obtains government incentives under the Turquality program from Turkish Republic Ministry of Economy. The Group is initially recongnises government grants related to trade mark developments in international markets in profit or loss as deduction of relevant selling and marketing expenses at fair value when there is reasonable assurance that the incentives will be received.

(r) Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price—i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

(i) Trade and other receivables

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

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(r) Measurement of fair values (continued)

(i) Trade and other receivables (continued)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price. The carrying amounts of significant financial instruments approximate their fair values in the consolidated financial statements due to their short term nature.

(ii) Other non-derivative financial liabilities

Forward exchange contracts

The fair values of forward exchange contracts are based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(iii) Property, plant and equipment

The fair value of property and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

(iv) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets. The fair value of customer relationships acquired in a business combination are determined according to the excess earnings methods and replacement cost approach.

(s) Correction of error

The Group discovered that share capital remeasurement with respect to inflationary accounting had been erroneously accounted since 2014. As a consequence share capital was understated and retained earnings overstated by TL 5,708,121 as at 31 January 2015 and 2016. The error have been corrected by restating share capital and retained earnings for these periods. As a result of correction of this error the Group's restated consolidated statement of financial position as at 31 January 2015 for the following accounts: an increase in the Share Capital by TL 5,708,121 (1 February 2016: increased by TL 5,708,121; 1 February 2017: increased by TL 5,708,121) under equity, a decrease in the Retained Earnings account by in by TL 5,708,121 (1 February 2016: decreased by TL 5,708,121; 1 February 2017: decreased by TL 5,708,121) has been recognised in the restated consolidated financial statements and for the year end. This error does not affect consolidated profit or loss and other comprehensive income as at 31 January 2015 and 31 January 2016.

In addition to above correction, the Group discovered that certain transaction had been erroneously accounted in its subsidiary Mavi Kazakhstan. The Group has corrected the consolidated financial statements accordingly and other current assets decreased by TL 1,745,998 and other current liabilities increased by TL 1,114,235 and as a result net profit and total comprehensive income decreased by TL 2,860,233 TL as at and for the year ended 31 January 2016.

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from Contracts with customers

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

IFRS 16 Leases

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

IFRIC 22—Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

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

Amendments to IAS 7 *Statement of Cash Flows*—Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in consolidated financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated statement of cash flows of the Group.

Amendments to IAS 12 *Income Taxes*—Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

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

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

IAS 40—Transfers of Investment Property

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

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs—2014—2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

2 Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies (continued)

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

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 28 "Investments in Associates and Joint Ventures"

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

3 Operating segments

The Group has the following 6 strategic operating segments based on the geographical areas where sales generated. These divisions are managed separately because they require different trading and marketing strategies. Only Turkey operations are determined to be a reportable segment. None of the other segments except Turkey met the quantitative thresholds as at and for the years ended 31 January 2017, 2016, and 2015. Europe comprises Netherland and Germany. Rest of the world mainly includes Kazakhstan and Australia.

The Group's chief executive officer reviews the internal management reports of each division at least quarterly. The Group's retail business comprise of owned stores and wholesale business comprised of franchises, corners, department stores, e-business, service sales and other sales. E-commerce activities through Mavi.com are followed up separately.

There are varying levels of integration between geographical segments. This integration includes transfers of inventory and shared services. Segment activities are reviewed after the intra-group activities are eliminated.

	Reportable segment	**Other segments**					
31 January 2017	**Turkey**	**Europe**	**USA**	**Canada**	**Russia**	**Rest of the world**	**Total**
External revenues	**1,121,183,169**	**100,133,392**	**37,577,093**	**17,272,640**	**19,742,463**	**12,024,915**	**1,307,933,672**
- Retail	856,736,308	17,232,338	2,877,788	2,607,937	11,014,699	—	890,469,070
- Wholesale	248,676,415	80,475,770	31,883,231	13,827,094	8,727,764	12,024,915	395,615,189
- E-commerce	15,770,446	2,425,284	2,816,074	837,609	—	—	21,849,413
Segment revenue	**1,121,183,169**	**100,133,392**	**37,577,093**	**17,272,640**	**19,742,463**	**12,024,915**	**1,307,933,672**
Segment profit before tax	**63,015,934**						**68,460,496**
Interest income	588,155						706,682
Interest expense	33,686,658						37,223,093
Depreciation and amortisation	41,100,323						46,529,444
Other material non-cash items							
- Impairment losses on non-financial items	19,401						19,401
Tax income / expense	13,620,281						16,647,273
Segment assets	**667,033,907**						**893,969,103**
Capital expenditure	**60,273,799**						**62,569,928**
Segment liabilities	**494,684,820**						**753,469,937**

3 Operating segments (continued)

	Reportable segment	Other segments					
31 January 2016 (restated)	**Turkey**	**Europe**	**USA**	**Canada**	**Russia**	**Rest of the world**	**Total**
External revenues	**925,704,942**	**96,246,959**	**—**	**—**	**19,400,594**	**11,454,825**	**1,052,807,320**
- Retail	703,642,467	16,833,859	—	—	8,917,258	—	729,393,584
- Wholesale	209,703,407	77,589,711	—	—	10,483,336	11,454,825	309,231,279
- E-commerce	12,359,068	1,823,389	—	—	—	—	14,182,457
Segment revenue	**925,704,942**	**96,246,959**	**—**	**—**	**19,400,594**	**11,454,825**	**1,052,807,320**
Segment profit before tax	**49,565,399**						**46,059,555**
Interest income	327,673						327,673
Interest expense	28,925,331						30,619,199
Depreciation and amortisation	34,425,406						40,226,757
Other material non-cash items							
- Impairment losses on non-financial items	544,758						544,758
Tax income / expense	11,802,607						12,606,612
Segment assets	**501,490,703**						**551,467,691**
Capital expenditure	**52,350,168**						**57,140,547**
Segment liabilities	**381,436,027**						**455,842,735**

	Reportable segment	Other segments					
31 January 2015	**Turkey**	**Europe**	**USA**	**Canada**	**Russia**	**Rest of the world**	**Total**
External revenues	**752,280,608**	**101,477,721**	**—**	**—**	**26,248,601**	**15,063,933**	**895,070,863**
- Retail	550,657,962	16,026,241	—	—	6,389,481	138,797	573,212,481
- Wholesale	191,886,085	83,846,930	—	—	19,859,120	14,925,136	310,517,271
- E-commerce	9,736,561	1,604,550	—	—	—	—	11,341,111
Segment revenue	**752,280,608**	**101,477,721**	**—**	**—**	**26,248,601**	**15,063,933**	**895,070,863**
Segment profit before tax	**37,099,275**						**28,753,939**
Interest income	779,943						785,847
Interest expense	23,119,223						24,892,420
Depreciation and amortisation	25,829,297						29,042,680
Other material non-cash items							
- Impairment losses on non-financial items	282,000						3,117,526
Tax income / expense	8,855,502						9,869,391
Segment assets	**434,988,042**						**495,400,475**
Capital expenditure	**55,742,403**						**61,492,993**
Segment liabilities	**353,221,842**						**433,751,252**

3 Operating segments (continued)

Reconciliations of information on reportable segments to IFRS measures

	2016	2015	2014
Profit before tax			
Total profit before tax for reportable segments	63,015,934	49,565,399	37,099,275
Profit before tax for other segments	5,444,562	(3,505,844)	(8,345,336)
Consolidated profit before taxes	**68,460,496**	**46,059,555**	**28,753,939**

	31 January 2017	31 January 2016	31 January 2015
Total assets			
Total assets for reportable segments	667,033,907	501,490,703	434,988,042
Assets for other segments	226,935,196	49,976,988	60,412,433
Consolidated assets	**893,969,103**	**551,467,691**	**495,400,475**

	31 January 2017	31 January 2016	31 January 2015
Total liabilities			
Total liabilities for reportable segments	494,684,820	381,436,027	353,221,842
Liabilities for other segments	258,785,117	74,406,708	80,529,410
Consolidated liabilities	**753,469,937**	**455,842,735**	**433,751,252**

	2016	2015	2014
Total tax expenses			
Total tax expenses for reportable segments	13,620,281	11,802,607	8,855,502
Tax expenses for other segments	3,026,992	804,005	1,013,889
Consolidated tax expenses	**16,647,273**	**12,606,612**	**9,869,391**

	2016	2015	2014
Total interest income			
Total interest income for reportable segments	588,155	327,673	779,943
Interest income for other segments	118,527	—	5,904
Consolidated ınterest income	**706,682**	**327,673**	**785,847**

	2016	2015	2014
Total interest expenses			
Total interest expenses for reportable segments	33,686,658	28,925,331	23,119,223
Interest expenses for other segments	3,536,435	1,693,868	1,773,197
Consolidated ınterest expenses	**37,223,093**	**30,619,199**	**24,892,420**

	2016	2015	2014
Total depreciation and amortisation for reportable segments			
Total interest expenses for reportable segments	41,100,323	34,425,406	25,829,297
Depreciation and amortisation for other segments	5,429,121	5,801,351	3,213,383
Consolidated depreciation and amortisation	**46,529,444**	**40,226,757**	**29,042,680**

	2016	2015	2014
Total capital expenditure			
Total capital expenditure for reportable segments	60,203,799	52,350,168	55,742,403
Capital expenditure for other segments	2,366,129	4,790,379	5,750,590
Total consolidated capital expenditure	**62,569,928**	**57,140,547**	**61,492,993**

3 Operating segments (continued)

Major customer

None of the customers of the Group represents more than 10% of the Group's total revenues.

4 Acquisition of subsidiary

On 12 August 2016, Mavi Giyim acquired the controlling interest of 51% in Eflatun, which has 100% sand 75% shareholding interest in Mavi US and Mavi Canada, respectively. Eflatun Giyim by itself is a holding company and at the date of acquisition and as of 31 January 2017, only holds the interests in Mavi US and Mavi Canada. As a result, the Group obtained control of the Mavi USA and Mavi Canada.

Obtaining control of Eflatun is part of the Group's strategy to expand its operations in Northern America.

For the five months period ended 31 January 2017, Eflatun contributed revenue of TL 54.8 million and profit of TL 5.0 million to the Group's results. If the acquisition had occurred on 1 February 2016, management estimates that consolidated revenue would have been TL 1,368.5 million, and consolidated profit for the year would have been TL 53.9 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 February 2016.

These consolidated financial statements have been prepared as if the exit has occurred before April 2018 and there will be no exit adjustment for the changing of the ultimate shareholders (the "Exit"). The Group has included USD 8,587,458 in equivalent of TL 25,371,643 at the time of acquisition as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition.

The contingent consideration will be calculated based on a formula defined in Share Purchase Agreement ("SPA") as follows:

In April 2017, Eflatun's net debt will be deducted from Eflatun's equity value and 51% of this value will be calculated and if there is a positive difference with first purchase price (USD 5,750,000 in equivalent of TL 16,807,250 at the time of acquisition) plus USD 250,000 will be paid by Mavi Giyim as additional payment to former controlling party. In April 2017, Eflatun Giyim's net debt will be deducted from Eflatun's equity value in 2017, and if there is a negative difference with 250,000 USD plus the initial purchase price, the difference to be calculated according to this item will be calculated according to this item and will be distributed by Sellers as additional payment to the Mavi Giyim. If Exit, occurs before April 2017, the formula to be used for valuation of Eflatun's equity value is EBITDA x exit multiplier.

The following table summarised the acquisition date fair value of each major class of consideration transferred.

Cash	16,807,250
Contingent consideration	25,371,643
Fair value of consideration transferred or will be transferred	**42,178,893**
Cash acquired through business combination	(578,153)
Contingent consideration	(25,371,643)
Net cash outflows	**16,229,097**

In addition to the additional payment set forth above, if exit occurs prior to April 2018, the positive difference between the EBITDA multiplier used at this exit and the EBITDA multiplier equal to the value of (x 10) used in this agreement; the difference will be distributed in full and in cash by the Buyers ("Mavi Giyim") to the Sellers through the transfer of the funds immediately available for use as the exit difference payment. If there is a negative difference between the EBITDA multiplier used in this exit and the EBITDA multiplier equal to the value of (x10) used in this agreement; the difference will be paid in full and in cash by the Sellers to the Buyers as the exit difference adjustment. However, if the exit is realized after April 2018 (including April), the Buyer or Seller will not be entitled to receive the exit difference payment.

4 Acquisition of subsidiary (continued)

Property and equipment and intangibles comprise of furniture and fixtures, leasehold improvements, rights and customer relationships. The book values of these assets in the acquisition are considered to reflect their fair values.

Wholesale customer relationships is the leading intangible assets in the acquired businesses. The estimated attrition rate is considered in the projection of the revenues to be generated from sales to customers. Accordingly, the relationships with the existing customers are assumed to be maintained until 2026 and 2030 for Mavi USA and Mavi Canada, respectively. Customer relationships have been accounted at fair value at acquisition date.

The carrying amount of inventory as at acquisition date 31 August 2016, is assumed to represent its fair value.

The carrying values of assets and liabilities were determined in accordance with IFRS on 31 August 2016 assuming that the transaction was completed on that date.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	
Property and equipment	12	2,116,383
Intangible assets	13	32,619,609
Other non-current receivables		1,799,612
Prepaid expenses		705,467
Inventories		25,030,561
Other current assets		11,022
Trade and other receivables		17,166,878
Cash and cash equivalents		578,153
Deferred tax liabilities	28	(9,547,088)
Loans and borrowings		(70,192,067)
Trade and other payables		(11,869,304)
Payables to employees		(199,699)
Current tax liabilities		(54,583)
Other short term provisions		(1,984,400)
Other current liabilities		(431,535)
Total identifiable net liabilities assumed		**(14,250,991)**

The fair value of Mavi Canada's and Mavi USA's intangible assets (customer relationships) and contingent consideration have been measured provisionally. If new information obtained within one year of the date of acquisition identifies adjustments to the customer relations or contingent consideration, or any additional provisions that existed at the date of acquisition, the acquisition will be revised.

Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	42,178,893
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of Eflatun	(7,122,779)
Fair value of identifiable net liabilities assumed	14,250,991
Goodwill (Note 14)	**49,307,105**

The goodwill is attributable mainly to the synergies expected to be achieved from integrating Mavi USA and Mavi Canada into the Group's existing business. None of the goodwill recognized is expected to be deductible for tax purposes.

5 Cash and cash equivalents

As at 31 January 2017, 2016 and 2015, cash and cash equivalents comprises the following:

	31 January 2017	31 January 2016	31 January 2015
Cash on hand	1,403,270	1,989,326	1,442,078
Cash at banks	61,528,837	31,697,601	27,476,742
Demand deposits	18,264,636	10,380,691	13,419,397
Time deposits	43,264,201	21,316,910	14,057,345
Other cash and cash equivalents	95,124,103	77,687,425	63,256,740
Cash and cash equivalents in the statement of consolidated financial statement	**158,056,210**	**111,374,352**	**92,175,560**
Bank overdrafts	(3,224,470)	(569,497)	(128,463)
Cash and cash equivalents in the statement of consolidated cash flows	**154,831,740**	**110,804,855**	**92,047,097**

As at 31 January 2017, 2016 and 2015, other cash and cash equivalents consist of credit card receivables with maturities less than 3 months.

As at 31 January 2017, 2016 and 2015, the details of time deposits based on maturity dates and interest rates of the Groups are as below:

	Maturity	Interest rate	31 January 2017
TL	1 February 2017	6.75%	8,000,000
USD	1 February 2017	1.90%	22,744,667
EUR	1 February 2017	1.05%	12,519,534
			43,264,201

	Maturity	Interest rate	31 January 2016
TL	1 February 2016	11.65%	14,400,000
USD	1 February 2016	1.45%	3,849,170
EUR	1 February 2016	0.85%	3,067,740
			21,316,910

	Maturity	Interest rate	31 January 2015
TL	2 February 2015	7.75%	2,680,000
USD	2 February 2015	0.90%	3,747,280
EUR	2 February 2015	0.90%	7,630,065
			14,057,345

As at 31 January 2017, 2016 and 2015, there is no restriction or blockage on cash and cash equivalents. The Group's exposure to foreign currency credit risk, interest rate risk and related sensitivity analyses are disclosed in Note 34.

6 Loans and borrowings

As at 31 January 2017, 2016 and 2015, financial borrowings comprise the following:

	31 January 2017	31 January 2016 (Restated)	31 January 2015
Current liabilities			
Unsecured bank loans	148,415,859	76,197,120	103,731,999
Secured bank loans	47,081	—	—
Current portion of unsecured bank loans	79,127,673	70,154,546	42,740,639
Bank overdraft	3,224,470	569,497	128,463
	230,815,083	**146,921,163**	**146,601,101**
Non-current liabilities			
Unsecured bank loans	105,208,694	42,475,111	44,556,337
	105,208,694	**42,475,111**	**44,556,337**

As at 31 January 2017, 2016 and 2015 loan and borrowings comprised the following:

	31 January 2017	31 January 2016	31 January 2015
Bank loans	336,023,777	189,396,274	191,157,438
	336,023,777	**189,396,274**	**191,157,438**

As at 31 January 2017, 2016 and 2015 the repayments of loan agreements according to the original maturities comprised the following:

	31 January 2017	31 January 2016	31 January 2015
Less than one year	230,815,083	146,921,163	146,601,101
One to two years	76,742,673	35,453,774	37,704,910
Two to three years	27,780,672	6,227,405	6,851,427
Three to four years	355,462	284,590	—
Four to five years	329,927	264,165	—
More than five years	—	245,177	—
	336,023,777	**189,396,274**	**191,157,438**

As at 31 January 2017, 2016 and 2015 maturities and conditions of outstanding loans comprised the following:

	31 January 2017				
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0.75%-3.00%	2017	69,665,975	70,282,989
Unsecured bank loans	EUR	2.30%-2.40%	2018	9,942,421	9,946,475
Unsecured bank loans	EUR	2.99%	2019	22,540,650	22,849,586
Unsecured bank loans	TL	11.24%-15.23%	2018	55,009,462	55,550,729
Unsecured bank loans	TL	11.50%-14.96%	2019	83,333,333	83,739,077
Unsecured bank loans	TL	11.65%-11.70%	2017	20,765,000	20,765,000
Unsecured bank loans	TL	0.00%	2017	3,224,470	3,224,470
Unsecured bank loans	USD	3.20%-4.75%	2017	44,747,102	45,044,638
Unsecured bank loans	USD	4,5%	2018	22,843,169	22,843,169
Unsecured bank loans	USD	3.70%	2021	1,724,580	1,730,563
Secured bank loans	CAD	0.00%	2020	47,081	47,081
				333,843,243	**336,023,777**

6 Loans and borrowings (continued)

	31 January 2016				
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	Euro	0.75%-4.62%	2016	93,646,800	93,545,034
Unsecured bank loans	USD	3.70%-4.80%	2016	1,097,883	1,112,141
Unsecured bank loans	USD	3.70%	2021	1,332,405	1,334,811
Unsecured bank loans	TL	11.45%-15.54%	2016	11,000,000	11,220,487
Unsecured bank loans	TL	11.24%-15.23%	2017	33,362,500	33,808,571
Unsecured bank loans	TL	11.42%-12.60%	2018	47,000,000	47,805,733
Unsecured bank loans	TL	0.00%	2016	569,497	569,497
				188,009,085	**189,396,274**

	31 January 2015				
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	Euro	0.89%-4.22%	2015	68,198,385	68,002,643
Unsecured bank loans	Euro	4.62%	2016	17,808,050	17,885,233
Unsecured bank loans	TL	8.09%-14.70%	2015	43,031,416	44,098,414
Unsecured bank loans	TL	11.45%-15.54%	2016	29,000,000	29,303,778
Unsecured bank loans	TL	11.47%-15.23%	2017	29,000,000	29,340,011
Unsecured bank loans	TL	0.00%	2015	128,463	128,463
Unsecured bank loans	USD	4.15%	2015	2,398,896	2,398,896
				189,565,210	**191,157,438**

The Group's exposure to liquidity, foreign currency and interest rate risk as well as related sensitivity analyses for financial liabilities are disclosed in Note 34.

7 Related party

Related parties in consolidated financial statements are determined as key management personnel, board of directors, family members, subsidiaries controlled by the Company. Several related party transactions are carried out during ordinary course of the business.

Ultimate controlling party of the Group is Turkish Private Equity Fund II ("Türkven") indirectly holds 54% and the Akarlılar Family owns 46% of the Group.

(a) Related party balances

As at 31 January 2017, 2016 and 2015 short term receivables and payables from related parties comprised the following:

	31 January 2017	31 January 2016	31 January 2015
Due from related parties	4,059,449	1,730,377	857,191
	4,059,449	**1,730,377**	**857,191**

The Group's main shareholder and ultimate controlling entity of the Group is Mavi Giyim Sanayi ve Ticaret A.Ş.

7 Related party (continued)

(a) Related party balances (continued)

As at 31 January 2017, 2016 and 2015 short term receivables from related parties comprised the following:

	31 January 2017	31 January 2016	31 January 2015
Due from related parties			
Mavi LLC (2)	4,048,697	—	—
Erak Giyim Sanayi Ticaret A.Ş. ("Erak")	10,752	—	—
Mavi USA (1)	—	1,308,012	585,017
Mavi Canada (1)	—	421,836	265,685
Eflatun Giyim	—	529	6,489
	4,059,449	**1,730,377**	**857,191**

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

(2) Due from Mavi LLC (registered in USA) is comprised of loan given amounting to USD 1,056,000 which is due on 1 December 2017 including 4% interest.

Prepayments given to related parties

	31 January 2017	31 January 2016	31 January 2015
Erak (1)	11,983,273	11,470,907	9,189,614
	11,983,273	**11,470,907**	**9,189,614**

(1) The balance of Erak is related to fabric advances (Note 11).

	31 January 2017	31 January 2016	31 January 2015
Due to related parties			
Erak (1)	93,186,160	48,019,493	48,953,741
Akay Lelmalabis Elgazhizah LLC ("Akay")	14,978,265	—	—
Kitsch Apparel Inc. ("Kitsch Apparel") (2)	446,644	—	—
Erma Tekstil Dış Ticaret Kollektif Şirketi ("Erma")	129,040	—	35,437
	108,740,109	**48,019,493**	**48,989,178**

(1) Amounts due to Erak, a company controlled by immediate family members of the shareholder of the parent company, are for purchases of inventory. Amounts are non-interest bearing and have 90 days repayment date.

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

7 Related party (continued)

(a) Related party balances (continued)

Prepayments given to related parties (continued)

	31 January 2017	31 January 2016	31 January 2015
Other payables to related parties			
Fatma Elif Akarlılar (1)	14,122,095	—	—
Seyhan Akarlılar (1)	14,120,854	—	—
Put option liabilities (2)	10,245,750	8,073,000	6,849,250
Ragıp Ersin Akarlılar (1)	5,004,818	—	—
Total other payables to related parties	**43,493,517**	**8,073,000**	**6,849,250**
Short term other payables to related parties	**43,493,517**	**—**	**—**
Long term other payables to related parties	**—**	**8,073,000**	**6,849,250**

(1) Payables to Fatma Elif Akarlılar, Seyhan Akarlılar, Ragıp Ersin Akarlılar comprised of contingent payables due to the acquisition of Eflatun Giyim that are payable in April 2017. Please see Note 4 for further details.

(2) Mavi Giyim and non-controlling interest holders of the Mavi Europe has signed shareholders agreement which was recently amended in January 2014. The minority shareholders of Mavi Europe have a put option right, which can be exercised by each of the minority shareholders independently from each with respect to no less than all of the minority shares held by each one of them, to sell their shares to Mavi Giyim or its affiliates designate by the Mavi Giyim. The put option right granted to each of the minority shareholders of Mavi Europe under this shareholder agreement is subject to the prior written consent of the Mavi Giyim unless the exercise of such right covers all the shares held by the Minority Shareholder exercising its put option right.

The group recognised a liability for the present value of the exercise price of the put option.

(b) Related party transactions

For the years ended 31 January 2017, 2016 and 2015, the sales to related parties of the Group comprised the following:

	2016	2015	2014
Sales to related parties			
Mavi USA (1)	424,824	1,384,131	458,497
Mavi Canada (1)	400,765	898,455	567,963
	825,589	**2,282,586**	**1,026,460**

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

For the years ended 31 January 2017, 2016 and 2015, the services given to related parties of the Group comprised the following:

	2016	2015	2014
Services given to related parties			
Mavi USA (1)(2)	734,830	1,494,035	966,008
Mavi Canada (1)(2)	786,812	1,096,409	946,455
Mavi LLC	112,488	—	—
Eflatun Giyim	6,000	6,000	6,000
	1,640,130	**2,596,444**	**1,918,463**

(1) Service given to related parties mainly comprise of design and sourcing charges.

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

7 Related party (continued)

(b) Related party transactions (continued)

For the years ended 31 January 2017, 2016 and 2015, purchases from related parties of the Group comprised the following:

	2016	2015	2014
Purchase from related parties			
Erak	269,777,665	239,775,740	215,314,908
Akay	4,292,475	—	—
	274,070,140	**239,775,740**	**215,314,908**

For the years ended 31 January 2017, 2016 and 2015, the services from related parties of the Group comprised the following:

	2016	2015	2014
Services from related parties			
Erak (1)	970,218	783,731	762,946
CM Objekt Heusenstamm GBR (2)	568,330	504,871	485,793
Sylvia House Inc.(3)	173,766	—	—
Mavi Jeans Holding Inc.	244,448	—	—
Erma	39,539	5,596	20,082
	1,996,301	**1,294,198**	**1,268,821**

(1) The Group receives inventory procurement related services from Erak.
(2) Mavi Europe rented its office from CM Objekt Heusenstamm GBR which is owned by the non-controlling owners of Mavi Germany.
(3) Mavi Canada rented its office from Sylvia House Inc. which is owned by the non-controlling owners of Mavi Group.

	2016	2015	2014
Other sales to related parties			
Ragıp Ersin Akarlılar (1)	166,576	—	—
	166,576	**—**	**—**

(1) The transaction is related to vehicle sales to Ragıp Ersin Akarlılar.

	2016	2015	2014
Other purchases from related parties			
Side Trail Corporation N.V. (1)	923,355	—	—
	923,355	**—**	**—**

(1) The balance is related to acquisition of brand rights of Mavi brand rest of Europe and Turkey.

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

For the years ended 31 January, short term benefits provided to senior management and board of directors amount to TL 22,237,177 (31 January 2016: TL 14,143,929 and 31 January 2015: TL 13,638,131).

For the years ended 31 January 2017, 2016 and 2015, the Group does not have any payables to any board of director or key management personnel of the Group.

8 Trade receivables and payables

Short term trade receivables

As at 31 January 2017, 31 January 2016 and 2015, short term trade receivables are as follows:

	31 January 2017	31 January 2016 Restated	31 January 2015
Trade receivables from others	105,321,907	72,929,331	77,558,172
Trade receivables from related parties	4,059,449	1,730,377	857,191
	109,381,356	**74,659,708**	**78,415,363**

As at 31 January 2017, 31 2016 and 2015, short term trade receivables from others are as follows:

	31 January 2017	31 January 2016 Restated	31 January 2015
Trade receivables	96,272,070	64,107,755	68,310,933
Post-dated cheques	7,581,056	5,931,470	5,113,521
Endorsed cheques	1,397,781	1,628,029	3,375,735
Notes receivables	71,000	1,262,077	757,983
Doubtful receivables	14,037,339	7,497,602	6,455,345
Allowance for doubtful receivables (-)	(14,037,339)	(7,497,602)	(6,455,345)
	105,321,907	**72,929,331**	**77,558,172**

Details related to Group's exposure to credit and foreign currency risk, and impairment losses for short term trade receivables is disclosed in Note 34.

Short term trade payables

As at 31 January 2017, 2016 and 2015, short term trade payables of the Group are as follows:

	31 January 2017	31 January 2016	31 January 2015
Trade payables to third parties (1)	190,775,458	165,703,189	150,988,256
Trade payables to related parties	108,740,109	48,019,493	48,989,178
	299,515,567	**213,722,682**	**199,977,434**

As at 31 January 2017, 2016 and 2015, short term trade payables from others are as follows:

	31 January 2017	31 January 2016	31 January 2015
Trade payables to third parties (1)	186,112,078	160,957,601	144,963,957
Expense accruals	4,663,380	4,745,588	6,024,299
	190,775,458	**165,703,189**	**150,988,256**

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

(1) Trade payables to third parties comprise factoring payables amounting TL 81,385,117 (31 January 2016: TL 56,382,904 and 31 January 2015: TL 55,741,001).

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

9 Other receivables and payables

Other short term trade receivables

As at 31 January 2017, 2016 and 2015, short term other receivables of the Group are as follows:

	31 January 2017	31 January 2016	31 January 2015
Other receivables from third parties	21,491,129	13,116,025	14,129,127
	21,491,129	**13,116,025**	**14,129,127**

As at 31 January 2017, 31 January 2016 and 2015, short term other receivables from third parties of the Group are as follows:

	31 January 2017	31 January 2016	31 January 2015
Receivables from public institutions (1)	20,965,564	12,602,089	12,981,769
Deposits and guarantees given	393,435	381,315	640,850
Other short term receivables	132,130	132,621	506,508
	21,491,129	**13,116,025**	**14,129,127**

(1) Receivables from public institutions consist of the Group's receivables related to Turquality incentive program amounting to TL 7,748,520 (31 January 2016: TL 5,687,339 and 31 January 2015: TL 3,148,563) and value added tax receivables amounting to TL 13,030,764 (31 January 2016: TL 6,892,540 and 31 January 2015: TL 9,833,206).

Mavi Giyim has the right to receive government grants from the Republic of Turkey for its investments abroad as part of a brand-building program called "Turquality". Turquality income accrual consists of the approved/to be approved but not yet paid grants regarding capital expenditures and other expenses, i.e. rent, marketing, design, in context of this brand-building program.

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

Long term other receivables

As at 31 January 2017, 2016 and 2015, long term other receivables of the Group are as follows:

	31 January 2017	31 January 2016	31 January 2015
Other receivables from third parties	2,013,418	1,342,220	1,249,052
	2,013,418	**1,342,220**	**1,249,052**

As at 31 January 2017, 31 January 2016 and 2015, long term other receivables from parties of the Group are as follows:

	31 January 2017	31 January 2016	31 January 2015
Deposits and guarantees given	2,013,418	1,342,220	1,157,493
Receivables from personnel	—	—	91,559
	2,013,418	**1,342,220**	**1,249,052**

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

9 Other receivables and payables (continued)

Other short term payables

As at 31 January 2017, 2016 and 2015, short term other payables of the Group are as follows:

	31 January 2017	31 January 2016 Restated	31 January 2015
Other payables to related parties (Note 7)	43,493,517	—	—
Other payables to third parties	10,356,191	3,403,715	4,384,913
	53,849,708	**3,403,715**	**4,384,913**

As at 31 January 2017, 31 January 2016 and 2015, other payables to third parties of the Group are as follows:

	31 January 2017	31 January 2016 Restated	31 January 2015
Taxes and duties payable	9,948,828	3,267,641	3,937,741
Other payables	407,363	136,074	447,172
	10,356,191	**3,403,715**	**4,384,913**

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

10 Inventories

As at 31 January 2017, 2016 and 2015, inventories are as follows:

	31 January 2017	31 January 2016	31 January 2015
Trade goods	288,460,801	183,155,498	158,491,993
Consignment trade goods	8,169,462	9,673,529	6,312,247
Goods in transit	6,251,311	3,253,928	2,146,084
Provision for impairment on inventory (-)	(15,037,789)	(18,736,891)	(12,226,527)
	287,843,785	**177,346,064**	**154,723,797**

As at 31 January 2017 there is no pledge on inventories (31 January 2016: nil and 31 January 2015: nil).

As at 31 January 2017, 31 January 2016 and 2015, the provision for impairment on inventory is as follows:

	2016	2015	2014
Opening balance	18,736,891	12,226,527	17,990,348
Provision for the year	4,039,984	10,579,069	8,362,255
Write-off	(9,811,655)	(4,693,693)	(13,325,471)
Effect of movements in exchange rates	2,072,569	624,988	(800,605)
Closing balance	**15,037,789**	**18,736,891**	**12,226,527**

As of the year ending on 31 January 2017, inventories of TL 4,039,984 (31 January 2016; TL 10,579,069 and 31 January 2015: TL 8,362,255) were recognised as an expense for slow moving inventory and net realizable value assessment in accordance with Group policies of provision for impairment on inventory during the year and included in "cost of sales". In addition, during 2016, inventories of TL 9,811,655 (31 January 2016; TL 4,693,693 and 31 January 2015: TL 13,325,471) were disposed.

11 Prepayments and deferred revenues

Prepayments

As at 31 January 2017, 2016 and 2015, the remaining balance of prepayments under current and non-current assets is as follows:

	31 January 2017	31 January 2016	31 January 2015
Advances given (1)	13,454,510	13,580,149	12,403,520
Prepaid rent expenses	2,170,975	1,142,353	1,593,250
Prepaid advertising and marketing expenses	2,348,132	56,697	1,121,606
Prepaid insurance expenses	886,817	345,190	328,221
Prepaid stamp tax and duties expenses	328,647	211,981	11,924
Other prepaid expenses	1,267,308	567,162	1,041,065
Total prepaid expenses	**20,456,389**	**15,903,532**	**16,499,586**
Long term prepaid expenses	**68,334**	**248,096**	**478,333**
Short term prepaid expenses	**20,388,055**	**15,655,436**	**16,021,253**

(1) Advances given comprise of advances given to producers and service providers including fabric advances given to Erak (Note 7).

Deferred revenue

As at 31 January 2017, 2016 and 2015, deferred revenue of the Group are as follows:

	31 January 2017	31 January 2016	31 January 2015
Customer loyalty claims (1)	9,327,815	8,985,790	8,121,831
Salary protocol	1,422,222	244,821	612,052
Corporate sales (2)	1,219,249	847,778	—
Rent income (3)	134,539	660,000	—
Total deferred revenue	**12,103,825**	**10,738,389**	**8,733,883**
Short term deferred revenue	**11,985,224**	**10,738,389**	**8,733,883**
Long term deferred revenue	**118,601**	**—**	**—**

(1) The deferred revenue related to loyalty credits granted has been estimated with reference to the fair value of apparel for which could be redeemed.
(2) Corporate sales consist of prepaid cards which are given to corporate firms.
(3) Rent income consist of rent support which is taken for shops.

12 Property and equipment

The movement of property and equipment for the year ended 31 January 2017, 2016 and 2015 is as follows:

Cost	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
1 February 2014 opening balance	**144,769**	**78,774,079**	**62,274,491**	**1,015,052**	**142,208,391**
Effect of movements in exchange rates	—	(1,833,092)	(1,777,770)	—	(3,610,862)
Additions	1,356	21,748,716	22,950,696	11,396,037	56,096,805
Disposals	(55,269)	(7,814)	(1,617,913)	—	(1,680,996)
Transfers (1)	39,694	3,805,361	3,591,734	(7,476,804)	(40,015)
31 January 2015 closing balance	**130,550**	**102,487,250**	**85,421,238**	**4,934,285**	**192,973,323**
1 February 2015 opening balance	**130,550**	**102,487,250**	**85,421,238**	**4,934,285**	**192,973,323**
Effect of movements in exchange rates	—	992,538	2,931,663	—	3,924,201
Additions	139,167	20,036,010	21,177,734	9,357,219	50,710,130
Disposals	(79,940)	(1,966,215)	(5,891,306)	—	(7,937,461)
Transfers (1)	—	6,120,249	5,817,552	(11,974,745)	(36,944)
31 January 2016 closing balance	**189,777**	**127,669,832**	**109,456,881**	**2,316,759**	**239,633,249**
1 February 2016 opening balance	**189,777**	**127,669,832**	**109,456,881**	**2,316,759**	**239,633,249**
Acquisitions through business combinations (Note 4)	139,398	954,785	1,022,200	—	2,116,383
Effect of movements in exchange rates	22,796	3,779,060	5,163,555	—	8,965,411
Additions	—	25,716,218	19,419,305	9,603,626	54,739,149
Disposals	(110,520)	(1,621,629)	(1,214,788)	—	(2,946,937)
Transfers (1)	—	6,782,940	4,345,837	(11,221,772)	(92,995)
31 January 2017 closing balance	**241,451**	**163,281,206**	**138,192,990**	**698,613**	**302,414,260**

(1) Transfers of TL 92,995 as at 31 January 2017, TL 36,944 as at 31 January 2016 and TL 40,015 as at 31 January 2015 related to transfers to intangible assets.

The movement of property and equipment for the year ended 31 January 2017, 2016 and 2015 is as follows:

Accumulated Depreciation	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
1 February 2014 opening balance	**98,519**	**43,025,729**	**28,599,246**	**—**	**71,723,494**
Effect of movements in exchange rates	—	(881,607)	(522,031)	—	(1,403,638)
Depreciation for the year	15,800	12,272,208	10,892,531	—	23,180,539
Disposals	(44,259)	(973)	(699,478)	—	(744,710)
31 January 2015 closing balance	**70,060**	**54,415,357**	**38,270,268**	**—**	**92,755,685**
1 February 2015 opening balance	**70,060**	**54,415,357**	**38,270,268**	**—**	**92,755,685**
Effect of movements in exchange rates	—	531,683	1,075,917	—	1,607,600
Depreciation for the year	38,402	18,839,579	16,002,164	—	34,880,145
Disposals	(79,940)	(481,573)	(3,856,661)	—	(4,418,174)
31 January 2016 closing balance	**28,522**	**73,305,046**	**51,491,688**	**—**	**124,825,256**
1 February 2016 opening balance	**28,522**	**73,305,046**	**51,491,688**	**—**	**124,825,256**
Effect of movements in exchange rates	829	2,277,148	2,156,579	—	4,434,556
Depreciation for the year	63,493	20,541,609	18,479,041	—	39,084,143
Disposals	(22,273)	(1,615,167)	(871,487)	—	(2,508,927)
31 January 2017 closing balance	**70,571**	**94,508,636**	**71,255,821**	**—**	**165,835,028**
31 January 2015 carrying amount	**60,490**	**48,071,893**	**47,150,970**	**4,934,285**	**100,217,638**
31 January 2016 carrying amount	**161,255**	**54,364,786**	**57,965,193**	**2,316,759**	**114,807,993**
31 January 2017 carrying amount	**170,880**	**68,772,570**	**66,937,169**	**698,613**	**136,579,232**

12 Property and equipment (continued)

For the year ended 31 January 2017, TL 3,328,423 (and for the years ended 31 January 2016: TL 2,977,344 and 31 January 2015: TL 2,051,124) of depreciation expenses are included under administrative expenses, TL 35,295,956 (31 January 2016: TL 31,716,836 and 31 January 2015: TL 20,926,726) under selling and marketing expenses and TL 459,764 (31 January 2016: TL 295,255 and 31 January 2015: TL 202,689) under research and development expenses.

As of 31 January 2017, there is no pledge on property and equipment (31 January 2016: nil and 31 January 2015: nil.)

As at 31 January 2017 the amount of insurance on property and equipment is TL 256,458,985 (31 January 2016: TL 183,608,268 and 31 January 2015: TL 178,438,479).

13 Intangible assets

The movement of intangible assets as at 31 January 2017, 2016 and 2015 are as follows:

	Licenses	Customer relationships	Brand	Total
Cost				
1 February 2014 balance	**26,248,245**	**2,781,052**	**—**	**29,029,297**
Additions	3,273,365	—	—	3,273,365
Transfer from property and equipment	40,015	—	—	40,015
Effect of movements in exchange rates	(553,596)	—	—	(553,596)
Disposals	(26,856)	—	—	(26,856)
31 January 2015 balance	**28,981,173**	**2,781,052**	**—**	**31,762,225**
1 February 2015 balance	**28,981,173**	**2,781,052**	**—**	**31,762,225**
Additions	6,430,417	—	—	6,430,417
Transfer from property and equipment	36,944	—	—	36,944
Effect of movements in exchange rates	97,003	965,531	—	1,062,534
Disposals	(15,871)	—	—	(15,871)
31 January 2016 balance	**35,529,666**	**3,746,583**	**—**	**39,276,249**
1 February 2016 balance	**35,529,666**	**3,746,583**	**—**	**39,276,249**
Acquisitions through business combinations (Note 4)	300,992	32,318,617	—	32,619,609
Additions	6,713,415	—	923,355	7,636,770
Transfer from property and equipment	92,995	—	—	92,995
Effect of movements in exchange rates	739,335	8,006,520	—	8,745,855
Disposals	(11,538)	—	—	(11,538)
31 January 2017 balance	**43,364,865**	**44,071,720**	**923,355**	**88,359,940**

13 Intangible assets (continued)

The movement of intangible assets as at 31 January 2017, 2016 and 2015 is as follows:

	Licenses	Customer relationships	Brand	Total
Amortisation				
1 February 2014 balance	**11,052,800**	**—**	**—**	**11,052,800**
Current year amortisation	5,862,141	—	—	5,862,141
Impairment	—	2,781,052	—	2,781,052
Effect of movements in exchange rates	(237,497)	—	—	(237,497)
Disposals	(12,643)	—	—	(12,643)
31 January 2015 balance	**16,664,801**	**2,781,052**	**—**	**19,445,853**
1 February 2015 balance	**16,664,801**	**2,781,052**	**—**	**19,445,853**
Current year amortisation	5,175,247	—	—	5,175,247
Impairment	—	62,075	—	62,075
Effect of movements in exchange rates	1,189	65,285	—	66,474
Disposals	(4,233)	—	—	(4,233)
31 January 2016 balance	**21,837,004**	**2,908,412**	**—**	**24,745,416**
1 February 2016 balance	**21,837,004**	**2,908,412**	**—**	**24,745,416**
Current year amortisation	5,803,398	1,601,891	40,012	7,445,301
Effect of movements in exchange rates	338,685	284,584	—	623,269
Disposals	(5,368)	—	—	(5,368)
31 January 2017 balance	**27,973,719**	**4,794,887**	**40,012**	**32,808,618**
Carrying amount				
31 January 2015 balance	**12,316,372**	**—**	**—**	**12,316,372**
31 January 2016 balance	**13,692,662**	**838,171**	**—**	**14,530,833**
31 January 2017 balance	**15,391,146**	**39,276,833**	**883,343**	**55,551,322**

For the year ended 31 January 2017, TL 5,491,960 (and for the years ended 31 January 2016: TL 1,732,687 and 31 January 2015: TL 1,512,286) of amortisation expenses are included under general administrative expenses and TL 1,953,341 (31 January 2016: TL 3,504,635 and 31 January 2015: TL 4,349,855) under selling and marketing expenses.

14 Goodwill

The movement of goodwill as at 31 January 2017, 2016 and 2015 is as follows:

Cost	31 January 2017	31 January 2016	31 January 2015
As of 1 February	**4,836,547**	**5,655,717**	**3,558,136**
Additions	194,009	—	2,122,823
Effect of movements in exchange rates	14,590,620	(819,170)	(25,242)
Acquisitions through business combinations (Note:4)	49,307,105	—	—
As of 31 January	**68,928,281**	**4,836,547**	**5,655,717**
Impairment loss			
As of 1 February	**(1,277,758)**	**(787,474)**	**(451,000)**
Impairment losses on goodwill	(19,401)	(544,758)	(336,474)
Effect of movements in exchange rates	—	54,474	—
As of 31 January	**(1,297,159)**	**(1,277,758)**	**(787,474)**
Carrying amount			
As of 31 January	**67,631,122**	**3,558,789**	**4,868,243**

14 Goodwill (continued)

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

Impairment test for cash generating units with allocated goodwill

Goodwill is allocated to cash generating units for impairment test purposes. As of 31 January 2017, 2016 and 2015, details of cash generating units related to goodwill are as follows. The carrying amount of goodwill allocated to each cash generating unit is as follows;

	31 January 2017	31 January 2016	31 January 2015
Mavi Europe AG	1,342,115	1,342,115	1,342,115
Mavi America	58,109,687	—	—
Mavi Canada	5,788,038	—	—
Switzerland	—	—	764,696
Other	2,391,282	2,216,674	2,761,432
	67,631,122	**3,558,789**	**4,868,243**

Impairment testing for CGUs containing goodwill

A valuation of the fair value of CGU of Mavi Europe, Mavi USA and Mavi Canada as three separate CGU's was performed by the Company management as of 31 January 2017 for Mavi Europe, Mavi USA, Mavi Canada and as of 31 January 2016 and 31 January 2015 for Mavi Europe. The income approach (discounted cash flow method) is used to determine the fair value of CGUs of Mavi Europe, Mavi USA and Mavi Canada.

5-year business plans (31 January 2017, 2016 and 2015: 3-year business plan) prepared by the management for Mavi Europe, Mavi USA and Mavi Canada were used in the valuation of CGUs. The growth in business plan of Mavi Europe, Mavi USA, Mavi Canada and Eflatun Giyim are driven by the increase in number of stores.

As a result of the impairment testing performed on CGU basis, no impairment loss was recognised as at 31 January 2017 for Mavi Europe, Mavi USA and Mavi Canada and 31 January 2016 and 31 January 2015 for Mavi Europe. On 31 January 2015, goodwill related to Switzerland operations were impaired.

Key assumptions used in discounted cash flow projections

Key assumptions used in the calculation of the recoverable amount of Mavi Europe are discount rates, terminal value growth rates, and EBITDA margin at terminal value. These assumptions are 14%, 1.3%, 20.2% respectively. The values assigned to the key assumptions represent management's assessment of future trends in ground handling industry and are based on both external sources and internal sources.

Key assumptions used in the calculation of the recoverable amount of Mavi USA are discount rates, terminal value growth rates, and EBITDA margin at terminal value. These assumptions are 9.6%, 2.3%, 15.6% respectively. The values assigned to the key assumptions represent management's assessment of future trends in ground handling industry and are based on both external sources and internal sources.

Key assumptions used in the calculation of the recoverable amount of Mavi Canada are discount rates, terminal value growth rates, and EBITDA margin at terminal value. These assumptions are 9.5%, 2.0%, 6.1% respectively. The values assigned to the key assumptions represent management's assessment of future trends in ground handling industry and are based on both external sources and internal sources.

14 Goodwill (continued)

Discount rate

The discount rate is for Mavi Europe estimated based on the company specific average weighted cost of capital. Value in use is determined by applying post tax discount rate of 14%.

The discount rate is for Mavi USA estimated based on the company specific weighted cost of capital. Value in use is determined by applying post tax discount rate of 9.6%.

The discount rate is for Mavi Canada estimated based on the company specific average weighted cost of capital. Value in use is determined by applying post tax discount rate of 9.5%.

Terminal growth rate

Mavi Europe, Mavi USA and Mavi Canada has five years cash flows included in their discounted cash flow models. A long term growth rate into perpetuity has been determined as the lower nominal GDP rates for Germany, USA and Canada in which Mavi Europe, Mavi USA and Mavi Canada is based and long term compound annual growth rate in EBITDA estimated by management.

Income approach

Discounted cash flow methodology is used under income approach. In this method, the cash flow available for distribution after funding internal needs of the company are forecasted for a finite period of years. Beyond finite period, a terminal value is developed by capitalising an assumed stabilised cash flow figure. Then, the finite period cash flow and terminal value are discounted to present value to arrive at an indication of fair value.

Mavi Europe operations

In percent	31 January 2017	31 January 2016	31 January 2015
Discount rate in EUR	14%	9.6%	9.6%
Terminal value growth rate	1.3%	1.6%	1.6%
Budgeted EBITDA margin (in three years)	20.2%	28.5%	46.0%

Mavi USA operations

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

Mavi Canada operations

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

15 Provisions, contingent assets and liabilities

Short term provisions

As at 31 January 2017, 2016 and 2015, short term provisions are as follows:

	31 January 2017	31 January 2016	31 January 2015
Provision for employee benefits	2,159,414	862,107	733,709
Other short term provisions	8,470,660	6,019,395	3,518,311
	10,630,074	**6,881,502**	**4,252,020**

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

	2016	2015	2014
1 February balance	862,107	733,709	787,451
Effect of movements in exchange rates	226,152	5,125	(66,154)
Acquisitions through business combinations (Note 4)	197,336	—	—
Current period provision	873,819	123,273	12,412
31 January balance	**2,159,414**	**862,107**	**733,709**

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

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term vacation pay liability if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

In accordance with the existing labour law in Turkey, the Company is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated. Vacation pay liability is the total undiscounted liability of the deserved and unused vacation days of all employees.

For the years ended 31 January 2017, 2016 and 2015, the movement of other short term provisions is as follows:

	31 January 2017	31 January 2016	31 January 2015
Legal provision (1)	1,891,410	1,209,990	634,441
Return provision	4,817,213	4,059,227	2,433,870
Other provisions	1,762,037	750,178	450,000
	8,470,660	**6,019,395**	**3,518,311**

(1) Legal provisions mainly comprise of labour lawsuits.

15 Provisions, contingent assets and liabilities (continued)

Short term provisions (continued)

Short term employee benefits (continued)

For the years ended 31 January 2017, 2016 and 2015, the movement of short term provision is as follows:

	Legal provision	Return provisions	Other provisions	Total
1 February 2016 balance	**1,209,990**	**4,059,227**	**750,178**	**6,019,395**
Acquisitions through business combinations (Note 4)	—	1,570,924	216,140	1,787,064
Current year provision	576,725	930,059	804,260	2,311,044
Effect of movements in exchange rates	104,695	662,204	(8,541)	758,358
Provisions used during year	—	(990,930)	—	(990,930)
Provision cancellations	—	(1,414,271)	—	(1,414,271)
31 January 2017 balance	**1,891,410**	**4,817,213**	**1,762,037**	**8,470,660**

	Legal provision	Return provisions	Other provisions	Total
1 February 2015 balance	**634,441**	**2,433,870**	**450,000**	**3,518,311**
Current year provision	575,549	1,507,144	367,748	2,450,441
Effect of movements in exchange rates	—	118,213	(67,570)	50,643
31 January 2016 balance	**1,209,990**	**4,059,227**	**750,178**	**6,019,395**

	Legal provision	Return provisions	Other provisions	Total
1 February 2014 balance	**547,057**	**2,312,193**	**501,897**	**3,361,147**
Current year provisions	87,384	266,476	(43,599)	310,261
Effect of movements in exchange rates	—	(144,799)	(8,298)	(153,097)
31 January 2015 balance	**634,441**	**2,433,870**	**450,000**	**3,518,311**

Long term provisions

For the years ended 31 January 2017, 2016 and 2015, the movement of long term provisions is as follows:

	31 January 2017	31 January 2016	31 January 2015
Long term provisions for employee benefits	3,150,839	2,976,994	1,948,617
	3,150,839	**2,976,994**	**1,948,617**

Long term employee benefits consist of severance pay liabilities. The details of severance pay liability are disclosed in Note 16.

16 Employee benefits

Provision for employment termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Due to changes in legislation as of 8 September 1999, there are certain transitional obligations related to the retirement age.

16 Employee benefits (continued)

Provision for employment termination benefits (continued)

Severance payments are calculated on the basis of 30 days' pay, limited to a maximum of TL 4,426 at 31 January 2017 (31 January 2016: TL 4,093 and 31 January 2015: TL 3,541) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the accompanying financial statements on a current basis. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel. The calculation was based upon the retirement pay ceiling announced by the Government.

The liability is calculated by estimating the present value of the future probable obligation of the Company arising from retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

As basic assumption, maximum liability is correspondingly increased with inflation for every year. Therefore discounted rate refers to estimated real interest rate after correction of the effects of future inflation. To conclude, as at 31 January 2017, 2016 and 2015, liabilities in integral part of consolidated financial statements, are calculated by the way of estimating the fair value of the liability caused by possible retirement of employees Accordingly, the liability is calculated using the following actuarial assumptions.

	31 January 2017	31 January 2016	31 January 2015
Discount rate (%)	5.19	4.72	3.81
Estimated inflation (%)	6.00	6.00	5.00

All actuarial losses are recognized in other comprehensive income.

For the years ended 31 January 2017, 2016 and 2015 the movement of provision for severance pay liability is as follows:

	2016	2015	2014
Opening balance	2,976,994	1,948,617	2,070,557
Interest cost	222,622	156,615	125,345
Service cost	2,186,450	2,286,934	1,674,354
Paid benefits	(3,179,989)	(2,455,453)	(2,707,679)
Effect of movements in exchange rates	632,248	24,507	(204,805)
Actuarial difference	312,514	1,015,774	990,845
Ending balance	**3,150,839**	**2,976,994**	**1,948,617**

17 Payables to employees

As at 31 January 2017, 2016 and 2015 payables to employees are as follows:

	31 January 2017	31 January 2016	31 January 2015
Payables to personnel (1)	11,377,963	9,647,852	7,868,386
Social security premiums payable	3,470,702	5,376,960	4,466,203
	14,848,665	**15,024,812**	**12,334,589**

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

18 Other asset and liabilities

Other current assets

As at 31 January 2017, 31 January 2016 and 2015, other current assets are as follows:

	31 January 2017	31 January 2016	31 January 2015
Transferred value added tax ("VAT")	15,596,832	12,976,373	9,642,184
	15,596,832	**12,976,373**	**9,642,184**

Other current liabilities

As at 31 January 2017, 31 January 2016 and 2015, other current liabilities are as follows:

	31 January 2017	31 January 2016	31 January 2015
Advances received (1)	9,238,409	4,783,119	1,057,825
VAT payable	508,059	505,092	552,617
Other	—	—	—
	9,746,468	**5,288,211**	**1,610,442**

(1) Advance received comprise of advances received for products from franchises.

19 Capital, reserves and other capital reserves

Paid-in capital

As at 31 January 2017, 31 January 2016 and 2015, paid capital is as follows:

	%	31 January 2017	%	31 January 2016	%	31 January 2015
Blue International	100	49,657,000	99.99	49,652,146	99.99	49,652,146
MYN Ventures Ltd.	—	—	0.0025	1,226	0.0025	1,226
Lifestyle Brands N.V.	—	—	0.0025	1,226	0.0025	1,226
Blue International Holding N.V.	—	—	0.0025	1,226	0.0025	1,226
Blue International Holding Coperatie U.A	—	—	0.0024	1,176	0.0024	1,176
	100	**49,657,000**	**100**	**49,657,000**	**100**	**49,657,000**

As of 31 January 2017 paid-in capital of the Company comprises 49,657,000 shares issued of TL 1 each (31 January 2016: 49,657,000 shares and 31 January 2015: 49,657,000 shares).

Remeasurement loss on defined benefit plans

Amounts include actuarial gains and losses recognized in other comprehensive income.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but

19 Capital, reserves and other capital reserves (continued)

Legal reserves (continued)

may be used to absorb losses in the event that the general reserve is exhausted. As at 31 January 2017, the Company's legal reserves are amounting to TL 17,426,758 (31 January 2016: TL 14,819,346 and 31 January 2015: TL 14,694,698).

Dividends

During 2016, the Group hasn't distributed dividends (2015: nil; 2014: TL 28,444,561) from distributable 2016 consolidated net income.

Purchase of share of entities under common control

On 2 December 2011 the Company merged with Mavi Grup Giyim Ticaret A.Ş. ("Mavi Grup"). Mavi Grup had owned the Company's shares in amount of 99.9% until the date of this merger. The difference between investment and share capital of the Company amounting to TL 35,757,281 has been recognized as an equity transaction as purchase of share of entities under common control.

Other reserves

The difference between exercise price of put option and the carrying amount of the minority interests that are derecognized under other reserves by the Group. Subsequent changes to fair value of put option obligations are also recognized in profit or loss. As of 31 January 2017, other reserves presented under shareholders equity is TL 4,079,773 (31 January 2016: TL 4,079,773 and 31 January 2015: TL 4,079,773).

20 Revenue

For the years ended 31 January 2017, 2016 and 2015, revenue comprised the following:

	2016	**2015**	**2014**
Sales of goods	1,306,652,599	1,051,737,670	892,766,287
Service revenue (1)	1,194,728	807,710	803,965
Other	86,345	261,940	1,500,611
	1,307,933,672	**1,052,807,320**	**895,070,863**

(1) Service revenue mainly comprised royalty fee which taken from Mavi Jeans Australia Pty Ltd.

21 Cost of sales

For the years ended 31 January 2017, 2016 and 2015, cost of sales comprised the following:

	2016	**2015**	**2015**
Cost of goods sold	640,915,023	528,395,125	460,225,642
	640,915,023	**528,395,125**	**460,225,642**

22 Administrative expenses, selling and marketing expenses

For the years ended 31 January 2017, 2016 and 2015, administrative expenses comprised the following:

	2016	2015	2014
Personnel expenses	44,048,870	31,829,037	28,788,289
Depreciation and amortization expenses (Note 12, 13)	8,820,383	4,710,031	3,563,410
Rent expenses	7,831,529	6,724,887	5,496,933
Consultancy expenses	3,158,742	2,129,745	1,591,760
Office materials expenses	2,545,784	1,597,734	975,617
Representation and entertainment expenses	2,043,076	424,128	402,536
Travel expenses	1,728,364	1,596,042	1,740,154
General office expenses	1,285,127	956,681	838,712
Bad debt expenses, net	831,612	1,230,815	528,741
Communication expenses	738,607	657,542	717,181
Legal expenses	716,373	917,073	463,137
Cleaning expenses	686,387	564,301	468,283
Contribution and donations	383,962	325,727	283,775
Taxes, fees and funds	243,068	185,399	224,158
Insurance expenses	206,916	182,200	113,422
Other	1,400,739	1,583,379	1,461,374
	76,669,539	**55,614,721**	**47,657,482**

For the years ended 31 January 2017, 2016 and 2015, selling and marketing expenses comprised the following:

	2016	2015	2014
Rent expenses	173,180,145	134,082,735	105,632,875
Personnel expenses	147,519,231	115,337,604	99,168,777
Depreciation and amortization expenses (Note 12, 13)	37,249,297	35,221,471	25,276,581
Outsourced logistics expenses	19,076,576	14,821,336	12,646,459
Advertising expenses	16,581,317	13,915,240	13,342,622
Freight-out expenses	9,149,927	7,628,171	6,336,465
Travel expenses	5,597,303	4,959,323	5,242,536
Visual design and marketing	4,142,498	4,181,860	3,270,363
Shopping bags expenses	3,441,528	2,641,241	2,201,788
Communication expenses	2,516,283	2,066,989	1,809,515
Cleaning expenses	2,341,556	1,722,669	1,401,926
Tailor expenses	2,116,173	1,786,019	1,660,870
Consultancy expenses	2,488,545	1,904,992	1,648,518
Marketing expenses	1,778,357	1,625,956	551,603
Public relations and market research expenses	1,850,934	1,307,552	1,352,790
Municipality expenses	1,646,808	1,225,429	1,043,268
Trade show expenses	1,457,030	603,892	850,020
Training expenses	1,016,563	1,420,100	1,010,564
Insurance expenses	894,613	862,787	813,678
Representation and entertainment expenses	701,086	635,061	516,160
Other	13,590,418	10,000,907	8,836,795
	448,336,188	**357,951,334**	**294,614,173**

23 Research and development expenses

For the years ended 31 January 2017, 2016 and 2015, research and development expenses comprised the following:

	2016	2015	2014
Personnel expenses	15,600,603	13,186,614	12,192,345
Travel expenses	844,088	782,448	791,540
Depreciation and amortization expenses (Note 12, 13)	459,764	295,255	202,689
Design expenses	441,160	352,181	401,953
Consultancy expenses	349,856	214,727	158,355
Communication expenses	295,329	249,667	262,713
Training expenses	53,188	56,910	42,092
Representation and entertainment expenses	41,912	40,185	35,443
Other	570,606	483,625	467,840
	18,656,506	**15,661,612**	**14,554,970**

24 Other income and expense

For the years ended 31 January 2017, 2016 and 2015, other operating income comprised the following:

	2016	2015	2014
Damage compensation income (1)	1,148,651	688,856	29,482
Salary protocol income	422,599	367,232	367,232
Gain on sale of tangible assets	104,132	62,712	72,770
Decoration income (2)	99,914	1,605,004	320
Other	149,098	95,278	243,482
	1,924,394	**2,819,082**	**713,286**

(1) Income from insurance claims.
(2) Decoration income received from shopping malls.

For the years ended 31 January 2017, 2016 and 2015, other expenses comprised the following:

	2016	2015	2014
Kazakhstan restructuring expenses (1)	728,093	3,984,863	—
Expense related to store closings	362,903	294,352	439,557
Impairment losses on goodwill	19,401	544,758	336,474
Impairment loss on customer relations	—	—	2,781,052
Portfolio compensation (2)	—	—	792,280
Fire related expenses	—	1,724,846	—
Other	490,349	668,775	185,902
	1,600,746	**7,217,594**	**4,535,265**

(1) Expense related to closure of legally owned stores in Kazakhstan.
(2) Compensations paid to the franchise of which their stores are taken over during the period.

25 Expenses by nature

For the years ended 31 January 2017, 2016 and 2015, expenses by nature are as follows:

Depreciation and amortization expenses

	2016	2015	2014
Selling and marketing expenses (Note 22)	37,249,297	35,221,471	25,276,581
Administrative expenses (Note 22)	8,820,383	4,710,031	3,563,410
Research and development expenses	459,764	295,255	202,689
	46,529,444	**40,226,757**	**29,042,680**

For the years ended 31 January 2017, TL 39,084,143 (31 January 2016: TL 34,989,435 and 31 January 2015: TL 23,180,539) of the depreciation and amortization expenses are resulting from tangible assets TL 7,445,301 (31 January 2016: TL 5,237,322 and 2015: TL 5,862,141) are from intangible assets.

Expenses related to personnel

	2016	2015	2014
Selling and marketing expenses (Note 22)	147,519,231	115,337,604	99,168,777
Administrative expense (Note 22)	44,048,870	31,829,037	28,788,289
Research and development (Note 23)	15,600,603	13,186,614	12,192,345
	207,168,704	**160,353,255**	**140,149,411**

For the years ended 31 January 2017, 2016 and 2015, the details of expenses related to personnel are as follows:

	2016	2015	2014
Wages and salaries	124,893,274	90,655,543	77,726,677
Social security premiums	29,662,384	25,330,768	22,851,873
Bonus expense	21,966,115	17,241,736	16,365,620
Meal expenses	11,349,406	10,577,277	8,315,273
Overtime expenses	5,908,080	4,516,607	3,723,364
Personnel travel expenses	4,155,990	4,102,955	3,636,796
Employee termination benefit expenses (Note: 16)	2,409,072	2,443,549	1,799,699
Notice payment expenses	1,736,770	1,176,219	2,059,978
Other	5,087,613	4,308,601	3,670,131
	207,168,704	**160,353,255**	**140,149,411**

26 Finance income

For the years ended 31 January 2017, 2016 and 2015, finance income comprised the following:

	2016	2015	2014
Interest income on:			
Receivables and payables, net	691,146	807,713	465,579
Time deposits	706,682	327,673	785,847
	1,397,828	1,135,386	1,251,426
Foreign exchange gain	1,258,170	1,128,868	91,543
Changes in fair value of forward contracts	12,655,153	8,845,800	899,054
Other	—	1,619	1,266
	15,311,151	**11,111,673**	**2,243,289**

27 Finance costs

For the years ended 31 January 2017, 2016 and 2015, finance costs comprised the following:

	2016	2015	2014
Interest expense on:			
Interest expenses on purchases	18,350,685	13,682,787	9,429,159
Financial liabilities measured at amortised cost	18,872,408	16,936,412	15,463,261
	37,223,093	30,619,199	24,892,420
Change in fair value of contingent consideration	229,008	—	—
Foreign exchange loss	20,949,121	13,592,149	14,851,628
Credit card commission expenses	7,669,531	5,947,818	5,001,512
Import financing expenses	3,286,973	4,515,920	2,053,560
Other	1,172,993	1,163,048	886,847
	70,530,719	**55,838,134**	**47,685,967**

28 Income taxes

Corporate tax

Corporate income tax is levied at the rate of 20% (31 January 2017, 2016, 2015: 20%) on the statutory corporate income tax base of Turkey's operating, which is determined by modifying income for certain tax exclusions and allowances.

As of 31 January 2017, 2016 and 2015 tax rates used in deferred tax calculation according to the tax laws of the countries except Turkey is as follows:

Country	31 January 2017	31 January 2016	31 January 2015
Russia	20%	20%	20%
Germany	29.72%	29.58%	29.58%
Netherlands	20%	20%	20%
America	34%	—	—
Canada	26.3%	—	—

Provision is made in the accompanying consolidated financial statements for the estimated charge based on the each of the Group entities' results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income (if any, past year losses and investment incentives if preferred).

In Turkey, advance tax returns are filed on a quarterly basis. Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate (Between 1^{st}-25^{th} days of the fourth month following the closing of the period for those with special accounting periods). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Foreign subsidiaries are subject to the tax legislation in the respective countries and necessary provisions for tax expense have been reflected in the financial statements.

Under the Turkish taxation system, 75% of profit gained from sale of property, plant and equipment of subsidiaries owned at least 2 years can be recognized as exempt income on condition that would be added to equity in following five years. The remaining 25% is subject to corporate tax.

28 Income taxes (continued)

Corporate tax (continued)

The tax legislation in Turkey does not allow the parent company and its subsidiaries to issue a consolidated tax declaration. For this reason, the tax provisions reflected in the consolidated financial statements are separately calculated for each company subject to consolidation.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

USA

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

Russia

In Russia, the tax system has a legislative nature that is often changed by the authorities. 20%. Tax authorities and "delay penalties" may be subject to investigation and investigation by competent authorities. A tax year is the primary consolidation that follows up to be examined by tax authorities. The recent events in Russia show that they are more stable in the interpretation and implementation of tax legislation. Financial losses can be carried for a period of three years to be deducted from the profit of the institution.

Germany

Germany's effective corporate tax rate, including trade tax and solidarity tax is about 29.72. Germany's overall income tax rate for corporations includes corporate income tax at a rate of 15%, solidarity surcharge at a rate of 0.825% (5.5 % of the corporate income tax) and municipal trade tax which varies between 7% and 17.15%. Losses can be carried forward for offset against future taxable income indefinitely.

However, the offset is limited: losses may be offset against profits up to EUR 1,000 thousand without restriction, but only 60% of income exceeding EUR 1,000 thousand may be offset against loss carry forwards.

Netherland

The Dutch corporate tax rate for corporations is 20% for profits up to 200,000 euros and 25% for excess. There is a one-sided decree issued to prevent double taxation for established companies in the Netherlands and, if there is no tax treaty, items such as profits from permanent foreign operations are not taxed. Dividend payments are subject to 5% tax.

In the Dutch tax system, financial losses can be carried forward for nine years to be deducted from future taxable income. Financial losses can be carried back up to one year ago. Companies must file their tax declarations within nine months of the end of the relevant year unless they request additional time (under normal circumstances for an additional period of nine months). Tax declarations are open for five years following their completion.

Tax authorities have the right to audit tax returns and related accounting records, and disclosures may be amended according to audit findings.

28 Income taxes (continued)

Corporate tax (continued)

Canada

Canada's federal-provincial general corporate income tax rate is 26.3%. Tax losses can be carried forward for 20 years.

Withholding income tax

Except for the dividends paid to non-resident corporations which have a representative office in Turkey or resident corporations, dividends are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Transfer pricing

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

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

Tax income/(expense)

For the years ended 31 January 2017, 2016 and 2015, tax expense recognized in profit loss comprised the following:

	2016	2015	2014
Current tax expense:			
Current year tax expense	(16,013,012)	(13,425,804)	(5,469,501)
Change in estimates related to prior years	488,760	285,836	103,995
	(15,524,252)	(13,139,968)	(5,365,506)
Deferred tax income			
Deferred tax (expense)/ income on temporary differences	(1,123,021)	533,356	(4,503,885)
Total tax expense	**(16,647,273)**	**(12,606,612)**	**(9,869,391)**

For the years ended 31 January 2017, 2016 and 2015, tax income recognized in other comprehensive income the following:

	31 January 2017	31 January 2016	31 January 2015
Tax income:			
Deferred taxes related to remeasurements of defined benefit liability	62,503	203,155	198,169

For the years ended 31 January 2017, 2016 and 2015, the details of the current tax assets/liabilities is as follows:

	2016	2015	2014
Current year tax expense	15,524,252	13,139,968	(4,101,304)
Corporate taxes paid	(20,607,471)	(16,729,868)	(9,466,810)
Total taxes payable on income, net	**(5,083,219)**	**(3,589,900)**	**(4,101,304)**
Current tax asset	(5,286,472)	(3,872,871)	(6,377,698)
Current tax liabilities	203,253	282,971	2,276,394

28 Income taxes (continued)

Tax income/(expense) (continued)

Reconciliation of effective tax rate

The reported taxation charge for the years ended 31 January 2017, 2016 and 2015 are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	%	2016	%	2015	%	2014
Profit for the year		51,813,223		33,452,943		18,884,548
Total income tax expense		(16,647,273)		(12,606,612)		(9,869,391)
Profit before tax		68,460,496		46,059,555		28,753,939
Income tax using domestic tax rate	(20)	(13,692,099)	(20)	(9,211,911)	(20)	(5,750,788)
Effect of tax rates in foreign jurisdictions	(2.2)	(1,483,165)	(1.1)	(540,803)	(0.8)	(235,530)
Non-deductible expenses (1)	(3.4)	(2,320,706)	(3.9)	(2,536,214)	(12.3)	(3,565,799)
Tax exempt income	0.3	189,164	0.2	106,000	1.8	515,000
Changes in estimates related to prior years	0.7	488,760	0.6	285,836	0.4	103,995
Statutory tax losses for which no deferred tax assets recognized	0.0	—	0.0	—	0.2	67,000
Recognition of tax effect on previously unrecognised tax losses	(0.5)	(337,000)	0.0	—	0.0	—
Other	0.7	507,773	(1.4)	(709,520)	(1.5)	(1,003,269)
Current tax expense		**(16,647,273)**		**(12,606,612)**		**(9,869,391)**

(1) For the year ending 31 January 2017 tax effect of non-deductible expenses mainly consist of Kazakhstan investment write-off amounting to TL 478,170 and inventory counting differences amounting to TL 1,027,250 (31 January 2016: Kazakhstan investment write-off: TL 224,926, inventory counting differences: TL 1,131,975; 31 January 2015: inventory counting differences: TL 845,168 and transfer pricing invoices from group companies: TL 2,004,894).

Unrecognized deferred tax asset

Tax losses for carried forward which no deferred tax asset was recognized expire as follows.

Expiry date	31 January 2017	Expiry date	31 January 2016	Expiry date	31 January 2015
2017	46,059	2017	373,203	2015-2017	839,328
	3,646,517		**373,203**		**839,328**

Deferred tax assets and liabilities

Deferred tax assets and liabilities were set off since there was a legal right to offset current tax assets and liabilities and since the Group intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

28 Income taxes (continued)

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities for the years ended 31 January 2017, 2016 and 2015 are attributable to the items detailed in the table below:

	31 January 2017		
	Assets	**Liabilities**	**Net amount**
Property and equipment	12,463,242	(15,523,237)	(3,059,995)
Intangible assets	1,876,492	(14,671,992)	(12,795,500)
Inventories	3,708,906	(213,574)	3,495,332
Due from related parties	—	(68,768)	(68,768)
Trade and other receivables	2,316,008	(3,225,759)	(909,751)
Trade and other payables	1,984,897	(1,151,696)	833,201
Provisions	792,855	(111,220)	681,635
Employee benefits	635,896	(118,624)	517,272
Loans and borrowings	1,064,119	(1,005,536)	58,583
Tax losses carried forward	2,945,354	—	2,945,354
Put option liability	1,915,943	—	1,915,943
Other temporary differences	—	(265,165)	(265,165)
Total	**29,703,712**	**(36,355,571)**	**(6,651,859)**
Set-off tax	**(22,957,810)**	**22,957,810**	
	6,745,902	**(13,397,761)**	

	31 January 2016		
	Assets	**Liabilities**	**Net amount**
Property and equipment	8,637,476	(241,650)	8,395,826
Intangible assets	1,596,981	(12,645,994)	(11,049,013)
Inventories	2,277,946	(87,271)	2,190,675
Due from related parties	—	(54,185)	(54,185)
Trade and other receivables	2,770,880	(2,291,778)	479,102
Trade and other payables	2,253,508	(522,012)	1,731,496
Provisions	549,666	—	549,666
Employee benefits	431,497	—	431,497
Loans and borrowings	1,066,029	(1,005,536)	60,493
Tax losses carried forward	826,407	—	826,407
Put option liability	1,481,000	—	1,481,000
Other temporary differences	376,584	(438,094)	(61,510)
Total	**22,267,974**	**(17,286,520)**	**4,981,454**
Set-off tax	**(17,232,335)**	**17,232,335**	
	5,035,639	**(54,185)**	

28 Income taxes (continued)

Recognized deferred tax assets and liabilities (continued)

	31 January 2015		
	Assets	**Liabilities**	**Net amount**
Property and equipment	6,323,371	(167,000)	6,156,371
Intangible assets	1,723,654	(9,645,438)	(7,921,784)
Inventories	1,217,759	(75,000)	1,142,759
Due from related parties	—	(696,659)	(696,659)
Trade and other receivables	1,998,313	(301,897)	1,696,416
Trade and other payables	1,765,761	(316,924)	1,448,837
Provisions	264,356	(7,000)	257,356
Employee benefits	366,034	—	366,034
Loans and borrowings	1,170,277	(1,005,536)	164,741
Tax losses carried forward	695,000	—	695,000
Put option liability	1,416,943	(180,300)	1,236,643
Other temporary differences	167,967	(488,407)	(320,440)
Total	**17,109,435**	**(12,884,161)**	**4,225,274**
Set-off tax	**(12,657,889)**	**12,657,889**	
	4,451,546	**226,272**	

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

	1 February 2014	Recognised in profit or loss	Recognised in comprehensive income and expense	Effect of movements in exchange rates	31 January 2015
Property and equipment	1,688,018	4,454,736	—	13,617	6,156,371
Intangible assets	(3,365,527)	(4,556,257)	—	—	(7,921,784)
Inventories	2,616,577	(1,446,697)	—	(27,121)	1,142,759
Due from related parties	1,843,023	(2,539,682)	—	—	(696,659)
Trade and other receivables	1,952,994	(252,194)	—	(4,385)	1,696,415
Trade and other payables	1,418,356	35,603	—	(5,122)	1,448,837
Provisions	402,767	(145,411)	—	—	257,356
Employee benefits	367,924	(196,109)	198,169	(3,950)	366,034
Loans and borrowings	(1,664)	166,405	—	—	164,741
Tax losses carried forward	1,301,456	(540,897)	—	(65,559)	695,000
Put option liability	1,416,943	(180,300)	—	—	1,236,643
Other temporary differences	(506,158)	696,918	—	(511,199)	(320,439)
	9,134,709	**(4,503,885)**	**198,169**	**(603,719)**	**4,225,274**

28 Income taxes (continued)

Recognized deferred tax assets and liabilities (continued)

	1 February 2015	Recognised in profit or loss	Recognised in comprehensive income and expense	Effect of movements in exchange rates	31 January 2016
Property and equipment	6,156,371	2,264,184	—	(24,729)	8,395,826
Intangible assets	(7,921,784)	(3,129,651)	—	2,422	(11,049,013)
Inventories	1,142,759	1,022,307	—	25,608	2,190,674
Due from related parties	(696,659)	642,474	—	—	(54,185)
Trade and other receivables	1,696,415	(1,246,294)	—	28,981	479,102
Trade and other payables	1,448,837	278,060	—	4,599	1,731,496
Provisions	257,356	286,284	—	6,026	549,666
Employee benefits	366,034	(140,943)	203,155	3,252	431,498
Loans and borrowings	164,741	(104,248)	—	—	60,493
Tax losses carried forward	695,000	34,858	—	96,549	826,407
Put option liability	1,236,643	244,357	—	—	1,481,000
Other temporary differences	(320,439)	381,968	—	(123,039)	(61,510)
	4,225,274	**533,356**	**203,155**	**19,669**	**4,981,454**

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

	1 February 2016	Recognised in profit or loss	Recognised in comprehensive income and expense	Acquisitions of subsidiaries	Effect of movements in exchange rates	31 January 2017
Property and equipment	8,395,826	(10,825,679)	—	598	(630,740)	(3,059,995)
Intangible assets	(11,049,013)	10,853,581	—	(12,614,646)	14,578	(12,795,500)
Inventories	2,190,674	(82,994)	—	1,233,470	154,182	3,495,332
Due from related parties	(54,185)	(14,583)	—	—	—	(68,768)
Trade and other receivables	479,102	(1,563,344)	—	—	174,491	(909,751)
Trade and other payables	1,731,496	(925,984)	—	—	27,689	833,201
Provisions	549,666	95,687	—	—	36,282	681,635
Employee benefits	431,498	3,692	62,503	—	19,579	517,272
Loans and borrowings	60,493	(1,910)	—	—	—	58,583
Tax losses carried forward	826,407	353,808	—	2,346,436	(581,297)	2,945,354
Put option liability	1,481,000	434,943	—	—	—	1,915,943
Other temporary differences	(61,510)	549,762	—	(512,946)	(240,471)	(265,165)
	4,981,454	**(1,123,021)**	**62,503**	**(9,547,088)**	**(1,025,707)**	**(6,651,859)**

29 Earnings per share

The amount of earnings per share is calculated by dividing the net period profit attributable to the owners of the Company shares by the weighted average share of the company's shares during the period. The calculation of earnings per share for the years ended 31 January 2017, 2016 and 2015 is as follows:

	2016	2015	2014
Net profit for the year attributable to owners of the Company	50,064,008	33,452,943	18,884,548
Weighted average number of ordinary shares (basic)	49,657,000	49,657,000	49,657,000
Earnings per ordinary share	**1.0082**	**0.6737**	**0.3803**

30 Derivatives

As at 31 January 2017 2016 and 2015, short term derivative assets are as follows:

	31 January 2017	31 January 2016	31 January 2015
Forward assets	7,335,934	2,943,292	334,309
	7,335,934	**2,943,292**	**334,309**

As of 31 January 2017, the Group has open forward contracts in amount of USD 10,042,635 in equivalent of TL 38,487,395 (31 January 2016: USD 25,403,248 in equivalent of TL 75,216,477, 31 January 2015: USD 5,461,361 in equivalent of TL 13,203,386).

31 Operating leases

Leases as lessee

For the years ended 31 January 2017, 2016 and 2015, total minimum lease payments pursuant to leases are as follows:

	31 January 2017	31 January 2016	31 January 2015
Less than one year	189,940,237	123,897,249	90,167,578
1-5 year	498,514,811	332,104,445	261,201,567
More than 5 years	90,654,842	42,816,166	33,673,027
	779,109,890	**498,817,860**	**385,042,172**

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

Group has recognized expenses related to operating leases amounting to TL 181,011,674 (31 January 2016: TL 140,807,622 and 31 January 2015: TL 140,807,622) in the statement of profit or loss and other comprehensive income.

32 Commitments

(a) Warranties, pledges and mortgages

		31 January 2017				
	TL Equivalent	**TL**	**EUR**	**RUB**	**CAD**	**USD**
A. On behalf of its own legal personality of the total amount of GPMs	**103,193,431**	**4,069,596**	**20,455,986**	**—**	**—**	**3,989,424**
Guarantee	103,193,431	4,069,596	20,455,986	—	—	3,989,424
Pledge	—	—	—	—	—	—
Mortgage	—	—	—	—	—	—
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	**1,319,226**	**—**	**94,074**	**13,960,037**	**16,173**	**—**
Guarantee	1,319,226	—	94,074	13,960,037	—	—
Pledge	—	—	—	—	—	—
Mortgage	—	—	—	—	16,173	—
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.	**—**	**—**	**—**	**—**	**—**	**—**
Guarantee	—	—	—	—	—	—
Pledge	—	—	—	—	—	—
Mortgage	—	—	—	—	—	—
D. Total amount of other GPM	**—**	**—**	**—**	**—**	**—**	**—**
i. Total amount of GPM given on behalf of the main partners	—	—	—	—	—	—
Guarantee	—	—	—	—	—	—
Pledge	—	—	—	—	—	—
Mortgage	—	—	—	—	—	—
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section	—	—	—	—	—	—
Guarantee	—	—	—	—	—	—
Pledge	—	—	—	—	—	—
Mortgage	—	—	—	—	—	—
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section	—	—	—	—	—	—
Guarantee	—	—	—	—	—	—
Pledge	—	—	—	—	—	—
Mortgage	—	—	—	—	—	—
Total GPM	**104,512,657**	**4,069,596**	**20,550,060**	**13,960,037**	**16,173**	**3,989,424**

32 Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

As of 31 January 2017, 2016 and 2015, the Group's guarantee / pledge / mortgage ("GPM") position statement is as follows:

		31 January 2016			
	TL Equivalent	**TL**	**EUR**	**RUB**	**USD**
A. On behalf of its own legal personality of the total amount of GPMs	**153,891,721**	**2,502,637**	**30,755,710**	**—**	**17,586,796**
Guarantee	153,891,721	2,502,637	30,755,710	—	17,586,796
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	**829,875**	**—**	**94,074**	**13,538,126**	**—**
Guarantee	829,875	—	94,074	13,538,126	—
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.	**—**	**—**	**—**	**—**	**—**
Guarantee	—	—	—	—	—
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
D. Total amount of other GPM	**—**	**—**	**—**	**—**	**—**
i. Total amount of GPM given on behalf of the main partners	—	—	—	—	—
Guarantee	—	—	—	—	—
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section	—	—	—	—	—
Guarantee	—	—	—	—	—
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section	—	—	—	—	—
Guarantee	—	—	—	—	—
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
Total GPM	**154,721,596**	**2,502,637**	**30,849,784**	**13,538,126**	**17,586,796**

32 Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

	31 January 2015				
	TL Equivalent	**TL**	**EUR**	**RUB**	**USD**
A. On behalf of its own legal personality of the total amount of GPMs	**128,863,221**	**3,083,880**	**25,992,087**	**—**	**22,571,484**
Guarantee	128,863,221	3,083,880	25,992,087	—	22,571,484
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	**257,735**	**—**	**94,074**	**—**	**—**
Guarantee	257,735	—	94,074	—	—
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.	**—**	**—**	**—**	**—**	**—**
Guarantee	—	—	—	—	—
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
D. Total amount of other GPM	**—**	**—**	**—**	**—**	**—**
i. Total amount of GPM given on behalf of the main partners	—	—	—	—	—
Guarantee	—	—	—	—	—
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section	—	—	—	—	—
Guarantee	—	—	—	—	—
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section	—	—	—	—	—
Guarantee	—	—	—	—	—
Pledge	—	—	—	—	—
Mortgage	—	—	—	—	—
Total GPM	**129,120,956**	**3,083,880**	**26,086,161**	**—**	**22,571,484**

As of 31 January 2017, ratio of CPM given by the Group to equity was 74% (31 January 2016: 162% and 31 January 2015: 209%).

As of 31 January 2017, letter of guarantees given to third parties for the amount of TL 61,018,855 are representing guarantees given to Eximbank for the purpose of importing goods (31 January 2016: TL 84,135,298 and 31 January 2015: TL 58,691,223).

The Group has purchase commitments related to inventory amounting to TL 219,914,872 as of 31 January 2017 (31 January 2016: TL 200,141,593; 31 January 2015: TL 189,095,108).

(b) Guarantees received

As of 31 January 2017, Group has received letter of guarantees for the amount of TL 6,353,838 as in the form of security (31 January 2017: TL 6,811,850 and 31 January 2015: TL 7,060,303).

33 Financial instruments

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management of framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer.

The companies operating under these segments have set a credit policy under which each new customer is analysed individually for the creditworthiness before each company's standard payment and delivery terms and conditions are offered.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The allowance is provided for receivables that are legally insolvent.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The Group exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer. The Group closely monitors its customers and the risks are monitored by limiting the aggregate risk to any individual counterparty. The Group secures a portion of its receivables through the use of the Direct Debiting System ("DDS") and the use of credit cards by customers. In Turkey, the banks provide credit limits for the Group's customers through DDS and credit cards and the Group collects its receivables from the banks when due. As of 31 January 2017, the DDS limits of the Company is amounting TL 98,981 thousand (31 January 2016: TL 86,401 thousand; 31 January 2015: TL 77,240 thousand). The Company also obtains guarantees from its customers as another means of securing its receivables.

Cash is placed in financial institutions, which are considered at time of deposits and POS receivables to have minimal risk of default. Further details of concentration of revenue are included in Note 3.

33 Financial instruments (continued)

Credit risk (continued)

As at 31 January 2017, 2016 and 2015, the maximum exposure to credit risk for trade receivables by geographic region was as follows:

	31 January 2016	31 January 2015	31 January 2014
Turkey	65,433,834	53,868,822	55,124,667
Europe	18,103,195	15,346,442	15,584,814
USA	8,521,758	—	—
Canada	8,166,306	—	—
Other	5,096,814	3,714,067	6,848,691
	105,321,907	**72,929,331**	**77,558,172**

The derivatives entered into with bank counterparties, which have sensible ratings.

Management believes that the unimpaired amounts that are pass due by more than 30 days are still collectable in full, based on the historical behavior and analysis of customer credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The functional currencies of Group entities are CAD, USD, EUR, RUB and KZT.

The Group uses derivative financial instruments such as short-term forward foreign exchange contracts to hedge currency risk.

Interest rates of the loans are determined on the currency of the loan. Currency of loans, are mainly used in TL, match the cash flow generated from operations of the Group.

Interest rate risk

The Group is not exposed to the risk of interest rate due to not using of variable interest rate loans.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure in order to reduce the cost of capital.

34 Nature and level of risks related to financial instruments

Credit risk

The carrying amounts of financial assets shows the maximum credit risk exposure. As of the reporting date, the maximum exposure to credit risk is as follows:

	Receivables					
	Trade receivables		Other receivables			
31 January 2017	Related party	Other	Related party	Other (1)	Cash and cash equivalents (2)	Derivatives
The maximum exposure to credit risk as financial instruments (A+B+C+D)	**4,059,449**	**105,321,907**	**—**	**21,097,694**	**156,652,940**	**7,335,934**
- Portion of maximum risk covered by guarantees	—	—	—	—	—	—
A. Net book value of financial assets that are neither past due not impaired	4,059,449	85,746,201	—	21,097,694	156,652,940	7,335,934
B. Net book value of financial assets which are overdue, but not impaired	—	19,575,706	—	—	—	—
C. Net book value of impaired assets	—	—	—	—	—	—
- Overdue (gross book value)	5,217,467	14,037,339	—	—	—	—
- Impairment (-)	(5,217,467)	(14,037,339)	—	—	—	—
- Secured portion of net amount by guarantees	—	—	—	—	—	—
- Not past due (gross carrying amount)	—	—	—	—	—	—
- Impairment (-)	—	—	—	—	—	—
- Secured portion of net amount by guarantees	—	—	—	—	—	—
D. Elements including credit risk on off consolidated statement of financial position	—	—	—	—	—	—

	Receivables	
31 January 2017	Trade receivables	Other receivables
Past due between 1-30 days	12,462,810	—
Past due between 1-3 months	6,870,005	—
Past due between 3-12 months	242,891	—
Total past due	**19,575,706**	**—**

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

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

Credit risk (continued)

	Receivables					
	Trade receivables		Other receivables			
31 January 2016	**Related party**	**Other**	**Related party**	**Other (1)**	**Cash and cash equivalents (2)**	**Derivatives**
The maximum exposure to credit risk as financial instruments (A+B+C+D)	**1,730,377**	**72,929,331**	**—**	**12,734,710**	**109,385,026**	**2,943,292**
- Portion of maximum risk covered by guarantees	—	—	—	—	—	—
A. Net book value of financial assets that are neither past due not impaired	1,730,377	67,860,963	—	12,734,710	109,385,026	2,943,292
B. Net book value of financial assets which are overdue, but not impaired	—	5,068,368	—	—	—	—
C. Net book value of impaired assets	—	—	—	—	—	—
- Overdue (gross book value)	—	7,497,602	—	—	—	—
- Impairment (-)	—	(7,497,602)	—	—	—	—
- Secured portion of net amount by guarantees	—	—	—	—	—	—
- Not past due (gross carrying amount)	—	—	—	—	—	—
- Impairment (-)	—	—	—	—	—	—
- Secured portion of net amount by guarantees	—	—	—	—	—	—
D. Elements including credit risk on off consolidated statement of financial position	—	—	—	—	—	—

	Receivables	
31 January 2016	**Trade receivables**	**Other receivables**
Past due between 1-30 days	1,867,172	—
Past due between 1-3 months	1,460,303	—
Past due between 3-12 months	1,740,893	—
Total past due	**5,068,368**	**—**

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

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

Credit risk (continued)

31 January 2015	Receivables: Trade receivables: Related party	Receivables: Trade receivables: Other	Receivables: Other receivables: Related party	Receivables: Other receivables: Other (1)	Cash and cash equivalents (2)	Derivatives
The maximum exposure to credit risk as financial instruments (A+B+C+D)	**857,191**	**77,558,172**	**—**	**13,488,277**	**90,733,482**	**334,309**
- Portion of maximum risk covered by guarantees	—	—	—	—	—	—
A. Net book value of financial assets that are neither past due not impaired	857,191	67,645,533	—	13,488,277	90,733,482	334,309
B. Net book value of financial assets which are overdue, but not impaired	—	9,912,639	—	—	—	—
C. Net book value of impaired assets	—	—	—	—	—	—
- Overdue (gross book value)	—	6,455,345	—	—	—	—
- Impairment (-)	—	(6,455,345)	—	—	—	—
- Secured portion of net amount by guarantees	—	—	—	—	—	—
- Not past due (gross carrying amount)	—	—	—	—	—	—
- Impairment (-)	—	—	—	—	—	—
- Secured portion of net amount by guarantees	—	—	—	—	—	—
D. Elements including credit risk on off consolidated statement of financial position	—	—	—	—	—	—

31 January 2015	Receivables: Trade receivables	Receivables: Other receivables
Past due between 1-30 days	2,482,467	—
Past due between 1-3 months	3,226,676	—
Past due between 1-12 months	4,203,496	—
Total past due	**9,912,639**	**—**

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

Impairment

For the years ended 31 January 2017, 2016 and 2015, movement of the provision for doubtful receivables is as follows:

	2016	2015	2014
Balance beginning	7,497,602	6,455,345	6,817,010
Acquisitions through business combinations	4,526,828	—	—
Current year provision	3,206,926	1,704,374	750,008
Allowances no longer required	(2,375,314)	(473,559)	(221,267)
Write-offs	—	(378,907)	(384,370)
Effect of movements in exchange rates	1,181,297	190,349	(506,036)
Balance ending	**14,037,339**	**7,497,602**	**6,455,345**

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

The Group monitors the collectability of its trade receivables periodically and records provision for potential losses on doubtful receivables based on historical collection rates, Subsequent to recognition of allowance for doubtful receivables, partial or full recovery of doubtful receivables will be recorded under profit or loss with an offset to provision for doubtful receivables.

Liquidity risk

As at 31 January 2017, 31 January 2016 and 2015, maturities of financial liabilities including estimated interest payments based on repayment schedules are included below:

31 January 2017	Carrying amount	Contractual cash flow	3 month or less	3-12 months	1-5 year
Non derivative financial liabilities					
Bank loans	336,023,777	371,412,626	73,820,704	157,821,094	139,770,828
Trade payables to third parties	190,775,458	193,562,043	146,607,848	46,954,195	—
Trade payables to related parties	108,740,109	108,515,087	91,276,580	17,238,507	—
Other payables to related parties	43,493,517	43,493,517	43,493,517	—	—
Payables to employees	14,848,665	14,848,665	14,848,665	—	—
Total	**693,881,526**	**731,831,938**	**370,047,314**	**222,013,796**	**139,770,828**

31 January 2016	Carrying amount	Contractual cash flow	3 month or less	3-12 months	1-5 year
Non derivative financial liabilities					
Bank loans	189,396,274	210,714,543	40,451,335	119,246,851	51,016,358
Trade payables to third parties	165,703,189	166,698,415	130,635,579	36,062,835	—
Trade payables to related parties	48,019,493	48,019,493	42,207,865	5,811,628	—
Other payables to related parties	8,073,000	8,073,000	—	—	8,073,000
Payables to employees	15,024,812	15,024,812	15,024,812	—	—
Total	**426,216,768**	**448,530,263**	**228,319,591**	**161,121,314**	**59,089,358**

31 January 2015	Carrying amount	Contractual cash flow	3 months or less	3-12 months	1-5 year
Non derivative financial liabilities					
Bank loans	191,157,438	202,304,340	34,428,103	117,740,747	50,135,490
Trade payables to third parties	150,988,256	152,758,073	110,000,431	42,757,642	—
Trade payables to related parties	48,989,178	49,012,162	46,697,356	2,314,806	—
Other payables to related parties	6,849,250	6,849,250	—	—	6,849,250
Payables to employees	12,334,589	12,334,589	12,334,589	—	—
Total	**410,318,711**	**423,258,414**	**203,460,479**	**162,813,195**	**56,984,740**

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

Market risk

Currency risk

As of 31 January 2017, the Group's foreign currency position specified in the following table arises from foreign currency is denominated as assets and liabilities.

	TL Equivalent	USD	Euro	Other
1. Trade receivables	5,729,562	1,123,542	—	493,329
2a. Monetary financial assets (including cash. banks)	36,218,759	6,089,585	3,143,003	990
2b. Non-monetary financial assets	—	—	—	—
3. Other	3,760,881	967,762	12,696	—
4. Current assets (1+2+3)	**45,709,202**	**8,180,889**	**3,155,699**	**494,319**
5. Trade receivables	—	—	—	—
6a. Monetary financial assets	111,264	15,972	12,213	—
6b. Non-monetary financial assets	—	—	—	—
7. Other	—	—	—	—
8. Non-current assets (5+6+7)	**111,264**	**15,972**	**12,213**	**—**
9. Total assets (4+8)	**45,820,466**	**8,196,861**	**3,167,912**	**494,319**
10. Trade payables	(80,289,988)	(20,977,335)	25,267	—
11. Financial liabilities	(47,187,331)	(65,304)	(11,452,812)	—
12a. Monetary other liabilities	(43,156,324)	(8,587,459)	(2,500,000)	—
12b. Non-monetary other liabilities	—	—	—	—
13. Short term liabilities (10+11+12)	**(170,633,643)**	**(29,630,098)**	**(13,927,545)**	**—**
14. Trade payables	—	—	—	—
15. Financial liabilities	(16,482,451)	(386,257)	(3,660,581)	—
16a. Monetary other liabilities	—	—	—	—
16b. Non-monetary other liabilities	—	—	—	—
17. Long term liabilities (14+15+16)	**(16,482,451)**	**(386,257)**	**(3,660,581)**	**—**
18. Total liabilities (13+17)	**(187,116,094)**	**(30,016,355)**	**(17,588,126)**	**—**
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	**7,335,934**	**1,914,188**	**—**	**—**
19a. Hedged total asset	**7,335,934**	**1,914,188**	**—**	**—**
19b. Hedged total liabilities	**—**	**—**	**—**	**—**
20. Position of net foreign currency assets/ liabilities (9-18+19)	**(133,959,694)**	**(19,905,306)**	**(14,420,214)**	**494,319**
21. Position of net foreign currency monetary assets/liabilities (IAS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(145,056,509)**	**(22,787,256)**	**(14,432,910)**	**494,319**

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

Market risk (continued)

Currency risk (continued)

As of 31 January 2016 the Group's foreign currency position specified in the following table arises from foreign currency is denominated as assets and liabilities.

	TL Equivalent	USD	Euro	Other
1. Trade receivables	50,113,870	2,786,322	12,880,694	128,560
2a. Monetary financial assets (including cash. banks)	8,932,721	1,862,967	1,058,030	1,816
2b. Non-monetary financial assets	—	—	—	—
3. Other	3,556,547	1,184,750	15,057	—
4. Current assets (1+2+3)	**62,603,138**	**5,834,039**	**13,953,781**	**130,376**
5. Trade receivables	269,512	—	—	128,560
6a. Monetary financial assets	269,512	—	—	128,560
6b. Non-monetary financial assets	—	—	—	—
7. Other	—	—	—	—
8. Non-current assets (5+6+7)	**539,024**	**—**	**—**	**257,120**
9. Total assets (4+8)	**63,142,162**	**5,834,039**	**13,953,781**	**387,496**
10. Trade payables	(59,280,734)	(19,974,114)	(43,162)	—
11. Financial liabilities	(93,593,760)	(16,457)	(28,968,485)	—
12a. Monetary other liabilities	—	—	—	—
12b. Non-monetary other liabilities	—	—	—	—
13. Short term liabilities (10+11+12)	**(152,874,494)**	**(19,990,571)**	**(29,011,647)**	**—**
14. Trade payables	—	—	—	—
15. Financial liabilities	(1,286,084)	(434,356)	—	—
16a. Monetary other liabilities	(8,073,000)	—	(2,500,000)	—
16b. Non-monetary other liabilities	—	—	—	—
17. Long term liabilities (14+15+16)	**(9,359,084)**	**(434,356)**	**(2,500,000)**	**—**
18. Total liabilities (13+17)	**(162,233,578)**	**(20,424,927)**	**(31,511,647)**	**—**
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	**2,943,292**	**994,053**	**—**	**—**
19a. Hedged total asset	**2,943,292**	**994,053**	**—**	**—**
19b. Hedged total liabilities	**—**	**—**	**—**	**—**
20. Position of net foreign currency assets/ liabilities (9-18+19)	**(96,148,124)**	**(13,596,835)**	**(17,557,866)**	**387,496**
21. Position of net foreign currency monetary assets/liabilities (IAS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(102,647,963)**	**(15,775,638)**	**(17,572,923)**	**387,496**

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

Market risk (continued)

Currency risk (continued)

As of 31 January 2015 the Group's foreign currency position specified in the following table arises from foreign currency is denominated as assets and liabilities.

	TL Equivalent	USD	Euro	Other
1. Trade receivables	5,584,612	2,261,018	17,049	38,245
2a. Monetary financial assets (including cash. banks)	12,696,203	1,743,202	3,095,890	816
2b. Non-monetary financial assets	—	—	—	—
3. Other	—	—	—	—
4. Current assets (1+2+3)	**18,280,815**	**4,004,220**	**3,112,939**	**39,061**
5. Trade receivables	—	—	—	—
6a. Monetary financial assets	—	—	—	—
6b. Non-monetary financial assets	—	—	—	—
7. Other	—	—	—	—
8. Non-current assets (5+6+7)	**—**	**—**	**—**	**—**
9. Total assets (4+8)	**18,280,815**	**4,004,220**	**3,112,939**	**39,061**
10. Trade payables	(60,184,820)	(24,640,962)	(223,685)	—
11. Financial liabilities	(77,229,709)	(992,263)	(27,313,507)	—
12a. Monetary other liabilities	—	—	—	—
12b. Non-monetary other liabilities	—	—	—	—
13. Short term liabilities (10+11+12)	**(137,414,529)**	**(25,633,225)**	**(27,537,192)**	**—**
14. Trade payables	—	—	—	—
15. Financial liabilities	(11,057,074)	—	(4,035,870)	—
16a. Monetary other liabilities	(6,849,250)	—	(2,500,000)	—
16b. Non-monetary other liabilities	—	—	—	—
17. Long term liabilities (14+15+16)	**(17,906,324)**	**—**	**(6,535,870)**	**—**
18. Total liabilities (13+17)	**(155,320,853)**	**(25,633,225)**	**(34,073,062)**	**—**
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	**334,309**	**138,282**	**—**	**—**
19a. Hedged total asset	**334,309**	**138,282**	**—**	**—**
19b. Hedged total liabilities	**—**	**—**	**—**	**—**
20. Position of net foreign currency assets/ liabilities (9-18+19)	**(136,705,729)**	**(21,490,723)**	**(30,960,123)**	**39,061**
21. Position of net foreign currency monetary assets/liabilities (IAS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(137,040,038)**	**(21,629,005)**	**(30,960,123)**	**39,061**

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

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

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

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

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

Foreign Currency Sensitivity Analysis

31 January 2017

	Profit/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1-Net USD denominated asset/liability	(8,362,103)	8,362,103	(8,362,103)	8,362,103
2-Hedged portion of TL against USD risk(-)	733,593	(733,593)	733,593	(733,593)
3-Net effect of USD (1+2)	**(7,628,510)**	**7,628,510**	**(7,628,510)**	**7,628,510**
10% change of the EURO against TL				
4-Net EURO denominated asset/liability	(5,909,836)	5,909,836	(5,909,836)	5,909,836
5-Hedged portion of TL against EURO risk(-)	—	—	—	—
6-Net effect of EURO (4+5)	**(5,909,836)**	**5,909,836**	**(5,909,836)**	**5,909,836**
10% change of other against TL				
7-Net other denominated asset/liability	142,376	(142,376)	142,376	(142,376)
8-Hedged portion of TL against other risk(-)	—	—	—	—
9-Net effect of other (7+8)	**142,376**	**(142,376)**	**142,376**	**(142,376)**
Total (3+6+9)	**(13,395,970)**	**(13,395,970**	**(13,395,970)**	**(13,395,970**

Foreign Currency Sensitivity Analysis

31 January 2016

	Profit/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1-Net USD denominated asset/liability	(4,320,216)	4,320,216	(4,320,216)	4,320,216
2-Hedged portion of TL against USD risk(-)	294,329	(294,329)	294,329	(294,329)
3-Net effect of USD (1+2)	**(4,025,887)**	**4,025,887**	**(4,025,887)**	**4,025,887**
10% change of the EURO against TL				
4-Net EURO denominated asset/liability	(5,669,786)	5,669,786	(5,669,786)	5,669,786
5-Hedged portion of TL against EURO risk(-)	—	—	—	—
6-Net effect of EURO (4+5)	**(5,669,786)**	**5,669,786**	**(5,669,786)**	**5,669,786**
10% change of Rouble against TL				
7-Net Rouble denominated asset/liability	80,861	(80,861)	80,861	(80,861)
8-Hedged portion of TL against Rouble risk(-)	—	—	—	—
9-Net effect of Rouble (7+8)	**80,861**	**(80,861)**	**80,861**	**(80,861)**
Total (3+6+9)	**(9,614,812)**	**9,614,812**	**(9,614,812)**	**9,614,812**

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

Market risk (continued)

Currency risk (continued)

Sensitivity analysis (continued)

Foreign Currency Sensitivity Analysis
31 January 2015

	Profit/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1-Net USD denominated asset/liability	(5,229,028)	5,229,028	(5,229,028)	5,229,028
2-Hedged portion of TL against USD risk(-)	33,431	(33,431)	33,431	(33,431)
3-Net effect of USD (1+2)	**(5,195,597)**	**5,195,597**	**(5,195,597)**	**5,195,597**
10% change of the EURO against TL				
4-Net EURO denominated asset/liability	(8,482,145)	8,482,145	(8,482,145)	8,482,145
5-Hedged portion of TL against EURO risk(-)	—	—	—	—
6-Net effect of EURO (4+5)	**(8,482,145)**	**8,482,145**	**(8,482,145)**	**8,482,145**
10% change of other against TL				
7-Net other denominated asset/liability	7,170	(7,170)	7,170	(7,170)
8-Hedged portion of TL against other risk(-)	—	—	—	—
9-Net effect of other (7+8)	**7,170**	**(7,170)**	**7,170**	**(7,170)**
Total (3+6+9)	**(13,670,572)**	**13,670,572**	**(13,670,572)**	**13,670,572**

Interest rate risk

Profile

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

	31 January 2017	31 January 2016	31 January 2015
Fixed interest rate items			
Financial assets	43,264,201	21,316,910	14,057,345
Financial liabilities	(336,023,777)	(189,396,274)	(191,157,438)

The fair value of fixed rate instruments risk:

The Group's does not have any hedging derivative instruments (interest rate swaps) recognized under fair value hedge accounting model or financial assets or liabilities for which fair values are recorded in profit or loss, Therefore, any changes in interest rates during the reporting period will not have an impact on profit or loss.

The fair value of variable rate instruments risk:

As the Group does not have any variable rate borrowings, changes in interest rates as of the reporting period will not have an impact on profit or loss.

Capital risk management

The Group's objectives when managing capital are to safeguard, and provide benefits to other stakeholders in order to reduce the cost of capital in order to maintain and protect the optimal capital structure of the Group.

To maintain or adjust the capital structure, the Group determines the amount of dividends paid to shareholders, issue new shares or may sell assets to reduce debt.

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

Capital risk management (continued)

Group capital and net financial debt/equity ratio is followed using net financial debt less cash and cash equivalents; total financial debt is calculated by deducting from that amount.

As at 31 January 2017, 2016 and 2015, net debt / equity ratios are as follows:

	31 January 2017	31 January 2016	31 January 2015
Loans and borrowings	336,023,777	189,396,274	191,157,438
Cash and cash equivalents	(158,056,210)	(111,374,352)	(92,175,560)
Net financial liabilities	**177,967,567**	**78,021,922**	**98,981,878**
Equity	140,499,166	95,624,956	61,649,223
Net financial liabilities / equities rate	1.27	0.82	1.61

35 Financial risk management

Fair values

	Carrying amount			Fair value			
31 January 2017	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Forward exchange contracts	7,335,934	—	7,335,934	—	7,335,934	—	7,335,934
Financial assets not measured at fair value							
Trade receivables from third parties	105,321,907	—	105,321,907	—	—	—	—
Other receivables to third parties (1)	21,097,694	—	21,097,694	—	—	—	—
Receivables from related parties	4,192,558	—	4,192,558	—	—	—	—
Cash and cash equivalents	158,056,210	—	158,056,210	—	—	—	—
Total	**296,004,303**	**—**	**296,004,303**				

	Loans and receivables	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value							
Other payables to related parties	—	(10,245,750)	(10,245,750)	—	—	(10,245,750)	(10,245,750)
Other payables to related parties (Contingent consideration)	—	(33,247,767)	(33,247,767)	—	—	(33,247,767)	(33,247,767)
Financial liabilities not measured at fair value							
Bank overdrafts	—	(3,224,470)	(3,224,470)	—	—	(3,224,470)	(3,224,470)
Bank loans	—	(332,799,307)	(332,799,307)	—	—	(332,799,307)	(332,799,307)
Trade payables to third parties	—	(190,775,458)	(190,775,458)	—	—	—	—
Other payables to third parties	—	(10,356,191)	(10,356,191)	—	—	—	—
Trade payables to related parties	—	(108,740,109)	(108,740,109)	—	—	—	—
Total	**—**	**(689,389,052)**	**(689,389,052)**				

(1) Other receivables from third parties excludes deposits and guarantees given.

35 Financial risk management (continued)

Fair values (continued)

	Carrying amount			Fair value			
31 January 2016	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Derivative financial instruments	2,943,292	—	2,943,292	—	2,943,292	—	2,943,292
Financial assets not measured at fair value							
Trade receivables from third parties	72,929,331	—	72,929,331	—	—	—	—
Other receivables to third parties (1)	12,734,710	—	12,734,710	—	—	—	—
Receivables from related parties	1,730,377		1,730,377	—	—	—	—
Cash and cash equivalents	111,374,352	—	111,374,352	—	—	—	—
Total	**201,712,062**	**—**	**201,712,062**				

	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Other payables to related parties	—	(8,073,000)	(8,073,000)	—	—	(8,073,000)	(8,073,000)
Financial liabilities not measured at fair value							
Bank overdrafts	—	(569,497)	(569,497)	—	—	(569,497)	(569,497)
Bank loans	—	(188,826,327)	(188,826,327)	—	—	(188,826,327)	(188,826,327)
Trade payables to third parties	—	(165,703,189)	(165,703,189)	—	—	—	—
Other payables to third parties	—	(3,403,715)	(3,403,715)	—	—	—	—
Trade payables to related parties	—	(48,019,493)	(48,019,493)	—	—	—	—
Total	**—**	**(414,595,221)**	**(414,595,221)**				

(1) Other receivables from third parties excludes deposits and guarantees given.

35 Financial risk management (continued)

Fair values (continued)

	Carrying amount			Fair value			
31 January 2015	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Derivative financial instruments	334,309	—	334,309	—	334,309	—	334,309
Financial assets not measured at fair value							
Trade receivables from third parties	77,558,172	—	77,558,172	—	—	—	—
Other receivables to third parties (*)	13,488,277	—	13,488,277	—	—	—	—
Receivables from related parties	857,191		857,191	—	—	—	—
Cash and cash equivalents	92,175,560	—	92,175,560	—	—	—	—
Total	**184,413,509**	**—**	**184,413,509**				
	Loans and receivables	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value							
Other payables to related parties	—	(6,849,250)	(6,849,250)	—	—	(6,849,250)	(6,849,250)
Financial liabilities not measured at fair value							
Bank overdrafts	—	(128,463)	(128,463)	—	—	(128,463)	(128,463)
Bank loans	—	(191,028,975)	(191,028,975)	—	—	(191,028,975)	(191,028,975)
Trade payables to third parties	—	(150,988,256)	(150,988,256)	—	—	—	—
Other payables to third parties	—	(4,384,913)	(4,384,913)	—	—	—	—
Trade payables to related parties	—	(48,989,178)	(48,989,178)	—	—	—	—
Total	**—**	**(402,369,035)**	**(402,369,035)**				

(*) Other receivables from third parties excludes deposits and guarantees given.

35 Financial risk management (continued)

Fair value disclosures

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

When measuring fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable	Intra-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of net debt and EBITDA multiplier, the amount to be paid under each scenario and the probability of each scenario.	Risk adjusted discount rate: 1.94% Forecast EBITDA multiplier: 10 Forecast net debt: USD 16,445 for Mavi USA; USD 7,276 for Mavi Canada	The estimated fair value would increase (decrease) if: The EBITDA and EBITDA multiplier higher were higher; or (lower) The risk adjusted discount rate were (higher) or lower Net debt is (higher) or lower.
Forward exchange contracts	Forward pricing: the fair value is determined using quoted forward Exchange rate and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.	Not applicable.

Financial instruments not measured at fair value

Other financial liabilities (1)	Discounted cash flows: the valuation model considers the present value of expected payment, discounted using a risk-adjusted discounted rate.		

(1) Other financial liabilities include bank loans.

As the financial assets and liabilities have short term in nature, the carrying amounts approximate their fair values.

36 Subsequent events

At the General Assembly meeting held on 22 March 2017, the Group's share capital was divided into two interest groups: Group A and Group B shares. The Group A shares correspond to 45% (22,345,659 shares) and the Group B shares correspond to the remaining 55% (27,311,350 shares). The Group A grants a number of privileges such as nominating candidates for the election of members of the board of directors, selecting among the candidates nominated by the shareholder of the board of directors, and failing to decide certain resolutions at the general shareholders' meeting without the affirmative vote of the shareholder.

On 29 March 2017, the non-controlling interest owners in Mavi Germany decided to exercise their put option rights. The related sale of the non-controlling interests to Mavi Giyim is planned to complete in April 2017. The exercise price of the put option will be EUR 2,500,000. As result of this transaction, the Group obtains 100% of shares in Mavi Germany.

37 Non-controlling interest

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra group eliminations.

31 January 2017	**Eflatun Giyim**	**Mavi USA**	**Mavi Canada**	**Intra group eliminations**	**Total**
NCI effective percentages	49.00%	49.00%	61.75%		
Non-current assets	11,088,975	35,412,574	7,520,315	(11,088,975)	
Current assets	17,716	32,183,018	30,876,420	113,637	
Non-current liabilities	—	(11,089,400)	(13,068,053)		
Current liabilities	(74,336)	(75,054,904)	(22,189,973)		
Net assets	**11,032,355**	**(18,548,712)**	**3,138,709**	**(10,975,338)**	
Net assets attributable to NCI	5,405,854	(9,088,869)	1,938,153	(5,377,916)	(7,122,778)
Revenue	—	37,577,093	17,272,640		
Profit	21,469	3,180,643	291,790		
OCI	—	(4,449,136)	(1,103,051)		
Total comprehensive income	21,469	(1,268,493)	(811,261)		
Profit allocated to NCI	10,520	1,558,515	180,180		1,749,215
OCI allocated to NCI	—	(2,180,076)	(681,134)		(2,861,210)

38 Ebitda reconciliation

The Directors of the Group have presented the performance measure EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance. Profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation and amortization.

EBITDA is not a defined performance measure in IFRS. Reconciliation EBITDA for the years ended 31 January 2017, 2016 and 2015 are as follows:

	Note	**2016**	**2015**	**2014**
Profit		51,813,223	33,452,943	18,884,548
Income tax expense	28	16,647,273	12,606,612	9,869,391
Profit before tax		**68,460,496**	**46,059,555**	**28,753,939**
Adjustment for:				
- Net finance costs		55,219,568	44,726,461	45,442,678
- Depreciation and amortisation	25	46,529,444	40,226,757	29,042,680
EBITDA		**170,209,508**	**131,012,773**	**103,239,297**

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